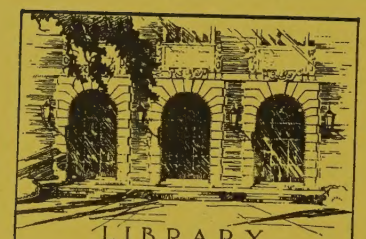

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REPORT ON PROGRESS IN MANCHURIA

1907-1928

THE SOUTH MANCHURIA RAILWAY

DAIREN, MARCH, 1929

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WILSON

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PLAN OF DAIREN HARBOR

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MAP OF MANCHURIA

SCALE: 1 — 6,300,000

SIBERIA

MONGOLIA

INNER MONGOLIA

MANCHURIA

HEILUNGKIANG

KIRIN

FENGTIEN

CHIHLI

CHOSEN

JAPAN

SEA OF JAPAN

YELLOW SEA

GULF OF PECHIHLI

PACIFIC OCEAN

GREAT KHINGAN MTS.

LITTLE KHINGAN MTS.

SAKHALIN

KARAFUTO

HOKKAIDO

HONSHU

SHIKOKU

KYUSHU

IRKUTSK

CHITA

KULUN

MANCHOULI

HAILAR

MERGEN

AIGUN

ARGUN

BLAGOVESTCHENSK

ARKHARA

HABAROVSK

KOMSOMOLSK

ALEXANDROVSK

KHOLMSK

TOYOHARA

MAOKAI

SAPPORO

TSITSIHAR

HARBIN

CHANGCHUN

KIRIN

VLADIVOSTOK

SEISHIN

FENGTIEN

ANTUNG

DAIREN

CHENGCHIA

PEKING

TIENTSIN

TAIYUAN

TSINAN

TSINGTAO

KAIFENG

HANKOW

WUCHANG

ANKING

NANKING

SHANGHAI

HANGCHOW

NINGPO

GENZAN

KEIJO (SEOUL)

FUSAN

NAGASAKI

SENDAI

UTSUNOMIYA

TOKYO

YOKOHAMA

TSURUGA

KYOTO

OSAKA

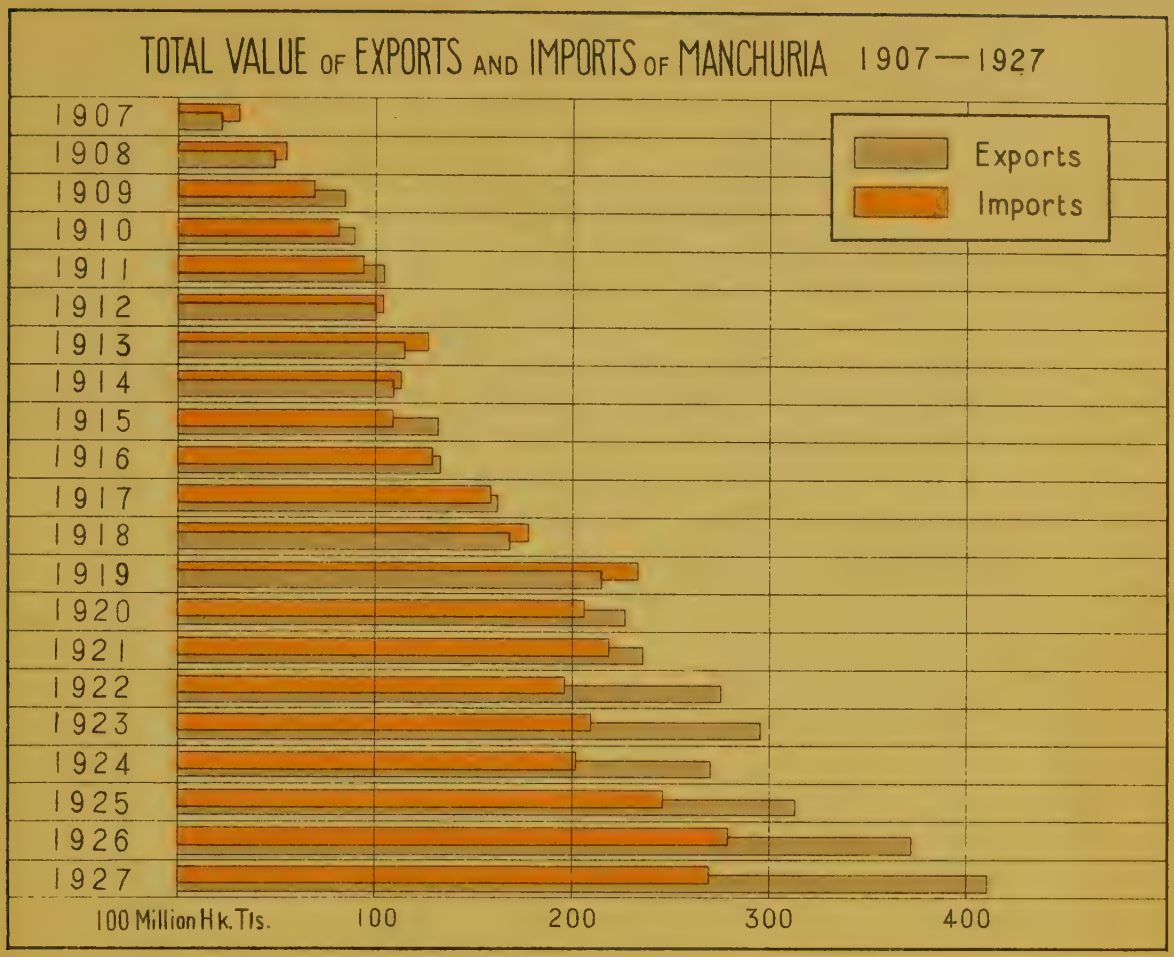
KOBE

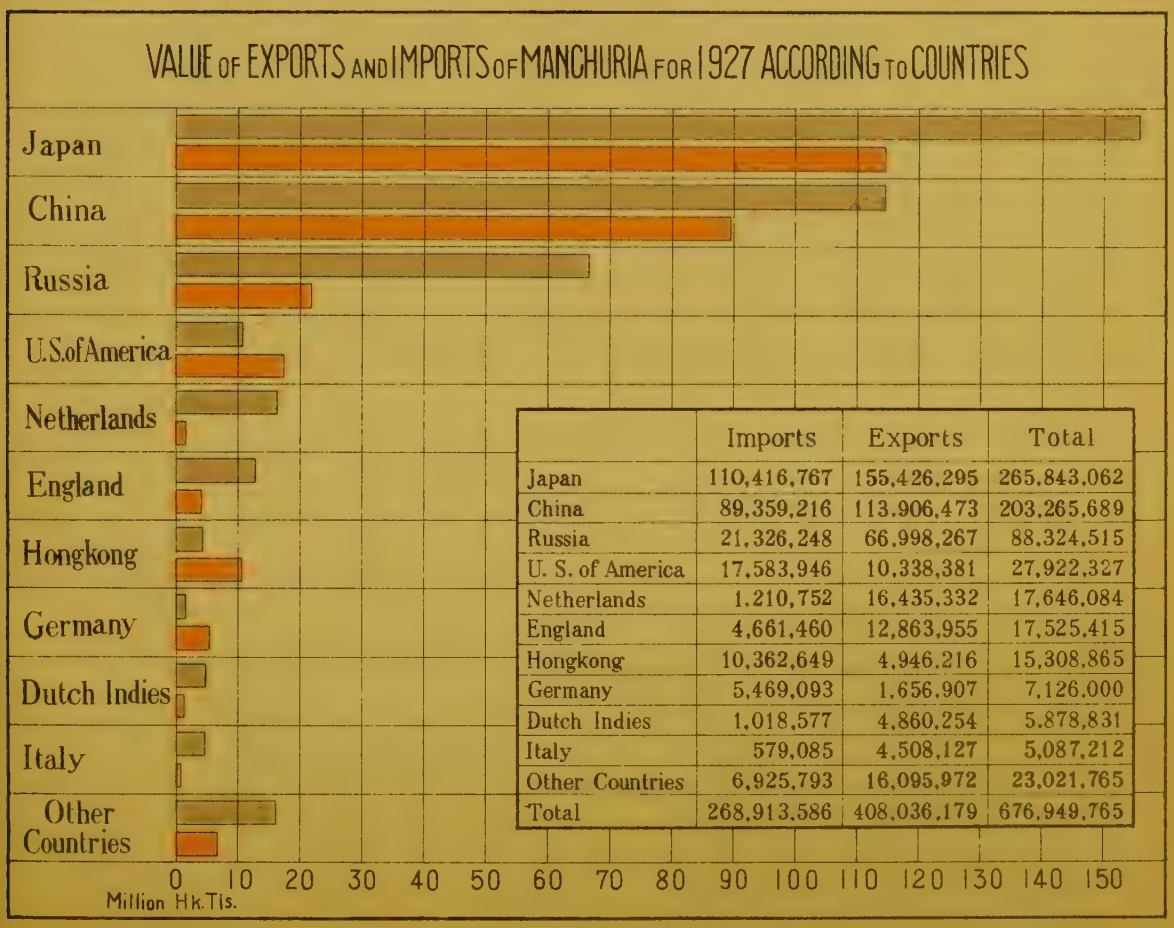
REMARKS

- Boundary of Country
- Boundary of Province
- Capital City.
- Cities and Towns.
- Railways Opened.
- Railways under Construction.
- Railways Projected.
- Light Railways.
- Main Roads.
- Navigation Lines.
- Submarine Telegraph Lines.

11th Feb. 1928 Drawn by U. Utsumi

SOUTH MANCHURIA RAILWAY COMPANY





	Imports	Exports	Total
Japan	110,416,767	155,426,295	265,843,062
China	89,359,216	113,906,473	203,265,689
Russia	21,326,248	66,998,267	88,324,515
U. S. of America	17,583,946	10,338,381	27,922,327
Netherlands	1,210,752	16,435,332	17,646,084
England	4,661,460	12,863,955	17,525,415
Hongkong	10,362,649	4,946,216	15,308,865
Germany	5,469,093	1,656,907	7,126,000
Dutch Indies	1,018,577	4,860,254	5,878,831
Italy	579,085	4,508,127	5,087,212
Other Countries	6,925,793	16,095,972	23,021,765
Total	268,913,586	408,036,179	676,949,765

INTRODUCTION

1 Manchuria

Manchuria lies in the northeastern extremity of China. Parts of Russian Siberia and Japanese Korea form its northeastern boundary. Its area, covering about 382,000 square miles, is almost the same as that of Egypt, or the aggregate area of Texas and New Mexico in the United States; it is almost half the size of Mexico, or more than three times the size of Japan proper. The population of Manchuria in 1927 was variously estimated at from 23,000,000 to 27,500,000. It is now steadily and rapidly increasing owing to the constant inflow of Chinese immigrants.

The natural resources of Manchuria, in contrast with those of other parts of China, are rather rich, especially the agricultural, mineral, and forestry products. Arable land, covering about twenty-five per cent. of the total area, is of the most fertile soil, and many areas were virgin and awaiting development. Manchuria was in fact a "Forbidden Land" for many generations, not only to the world at large, but, more particularly to the Chinese themselves. The fame of Manchuria, though its economic possibilities were so great, was not well known until it became the battlefield of nations. This was, first, during the Sino-Japanese war of 1894-5 and, second, during the Russo-Japanese war of 1904-5. After the Sino-Japanese war, the Russians opened up portions of Manchuria by building the Chinese Eastern Railway. But it fell to the Japanese after the Russo-Japanese war, to make Manchuria a land of opportunity for the world, in co-operation more or less with China, Russia, and other countries.

2 Peace and Order

By the Russo-Japanese war, the Russian Pacific Fleet with her Baltic Fleet was practically annihilated. Subsequently most of the main squadrons of the other European Powers were withdrawn from Oriental waters and concentrated in the North Sea and Mediterranean Sea. After the Russo-Japanese war, a period of tranquility set in throughout the Far East. As to Manchuria, more enduring peace and order being fortunately maintained, the development and progress effected in this

region during the past two decades were by no means inconsiderable, while revolutions, civil wars, or other political disturbances were unfortunately as frequent in China proper, after the establishment of the Republican regime, as at any time in the past. Indeed, Manchuria was the only region in the whole vast area of China which offered the benefits of peace and order to the calamity-stricken people of Shantung, Chihli, and Honan, who were driven out by famine and warfare, and tax extortion, prevailing specially during the civil war of 1926-8. Order in Manchuria has thus been preserved for nearly a quarter-of-a-century, since the Russo-Japanese war, without serious interruption, despite the frequent forays of Manchurian bandits upon isolated settlements. This has been achieved principally with the aid of the Japanese troops, while the military authorities of the Three Eastern Provinces, particularly Grand Marshal Chang Tso-lin, also played an important part in the maintenance of peaceful conditions. The railway guard of the Chinese Eastern Railway, one of the important factors in the maintenance of peace in North Manchuria, were formerly Russians, who were replaced by the Chinese in 1922. According to the annual report of this Railway, it pays to the Chinese guards each year from 3,500,000 to 4,100,000 roubles, which sum is recorded under the head of "Expense for the Chinese Government offices." Participating in the maintenance of order in Manchuria is costly to Japan. Though the number of railway guards is reduced to less than that allowed by treaty, Japan still has to spend more than 15,000,000 yen a year on soldiers and police in the Railway Zone and Leased Territory. And, in times of crisis, when civil war or other disturbance threatened the peace and order in Manchuria, in a way calculated to affect Japanese interests, the military expenditure increased. Maintenance of peace and order in Manchuria is vitally important, particularly to Japan, whose investments in the territory amount to some 2,000,000,000 yen; the territory is increasingly becoming the chief granary and source of raw material for Japanese industries. Japan has thus vital relations with Manchuria. In a broader sense, historically and politically, Japan can not permit any repetition of the bitter experience of the past — any disturbance of Manchuria which would affect the security of Korea and Japan, and ultimately the general peace of the Far East. Furthermore, 1,000,000 Japanese subjects, including 760,000 Koreans have their homes in Manchuria to-day. Japan would thus not be doing her duty in allowing Manchuria to become involved in any serious disturbance of tranquility.

3 Railways

The railways in Manchuria have played a most important part in its development, as they do elsewhere. More than three thousand miles of railways have been built in Manchuria since 1897, while little over five thousand miles have been built in the vast territory of China proper since 1877. Of the total in Manchuria, China owns about half, Russia one-third, and Japan the balance. The Chinese railways, though aggregating a greater mileage than the Japanese or Russian, were mostly financed by foreign, specially by Japanese, capital; while the Manchurian section of the Peking-Mukden line, between Mukden and Shanhaikwan, with branch lines, was built with British capital. Until quite recently, the agricultural crops were transported by means of the inadequate waterways, and by the primitive Manchurian cart, but the railways are to-day carrying every year larger numbers of immigrants and great stocks of agricultural products and other staples. Especially the South Manchurian Railway, running through the heart of Manchuria, with a terminal at the highly improved port of Dairen, and connecting with the railways running to China proper, Korea, and westwards to Europe, is playing the most significant part in the remarkable growth of the agricultural produce and in the stupendous development of the international trade of Manchuria.

The activities of the South Manchuria Railway Company in coal and iron mining and other industries are not only augmenting the supply of agricultural and mineral products, but also providing employment for hundreds of thousands of Chinese, who have been attracted to Manchuria from the neighbouring provinces, chiefly from Shantung.

4 Growth of Production

The railways being gradually developed, and peace and order maintained, agricultural, mineral, forestry and other industrial developments made steady progress, greatly aided by ample supplies of labor, due to the constant inflow of Chinese coolie immigrants and ready capital, mainly Japanese. In 1915, the estimated production of soya beans, kaoliang (a sort of sorghum), millet, wheat, barley, oats, rice, etc., amounted to 404,500,000 bushels. Twelve years later, in 1927, these crops were estimated at over 786,800,000 bushels. The soya bean, to-day commanding a world-market, and kaoliang, used as the staple food of the native populations and also as cattle fodder, are the most important

among agricultural products. The production of soya beans to-day, amounting to about 190,000,000 bushels, or 5,400,000 tons, has doubled during the last twelve years, while production of kaoliang, amounting to 184,000,000 bushels, has remained stationary. The cultivation of kaoliang has given place to that of the bean in many districts. The tradal importance of the soya bean and its products — oil and cake — has made Manchuria famous. They are so predominant that they now constitute more than one-half the value of the entire export trade of Manchuria. Of 4,407,000 tons of beans and bean products exported in 1927, a little less than one-half went to Japan, about 30% to Europe, 12% to China, and the rest to the United States and other countries. Next to beans, millet is the important crop to-day, producing 143,000,000 bushels every year, of which about 13,000,000 bushels were exported exclusively to Korea in 1927. Korea, notwithstanding a deficient rice supply, exports rice to Japan proper amounting to 31,000,000 bushels, and imports the Manchurian millet and cheaper grade of Indo-China rice as a substitute for the rice deficit. As the Manchurian bean and beancake, imported to Japan as foodstuff and fertilizer, are to-day helping in the solution of the national food question of Japan, Manchurian millet affords the same service to Korea.

5 Expansion of Trade

The trade of Manchuria with other countries remained insignificant for many years, as the region was undeveloped and Newchwang was the only Manchurian port opened to trade. But the Russo-Japanese war, which marked a new epoch for Manchuria, preceded a most radical change in the tradal situation, particularly after the opening of the port of Dairen. Prior to the war, Japan and the United States took the initiative in opening additional ports in Manchuria, such as Antung and Mukden. Japan secured from China by formal agreement her consent to the opening of sixteen places in Manchuria, including Harbin, Manchuli, Aigun, Suifenho, Liaoyang, etc. China, after first opening Antung on March 1, 1907, formally opened nine other important towns including Harbin, Mukden, and Manchuli by 1911. In July, 1907, Dairen, in the Leased Territory, was opened by Japan as a free port. In the year Dairen was opened, the total trade of Manchuria was valued at 52,000,000 *Hk. Tls., i. e., 6 per cent. of the total trade of China. In

* Haikwan Taels.

1927, this was increased to over 676,000,000 Tls., i. e., 21 per cent. of China's total trade. Of this amount, 376,420,000 Tls. belongs to Dairen. That is to say, the trade of Manchuria itself expanded more than twelve times in the last 21 years, and Dairen's share amounted to more than 50% of Manchuria's total trade. Manchuria has one bright aspect in its trade in that it maintains an excess of exports over imports in most years, contrary to the trade in China proper, where imports invariably exceeded exports, as in Japan and Korea.

Of the total exports for 1927, amounting to 408,000,000 Tls. Manchurian beans and derivatives occupy more than half, or 215,000,000 Tls. As already stated, Japan is the heaviest purchaser of these products. Europe and America bought over 30 per cent., and there is a strong upward tendency in the overseas market in supplying chemical industries and for cattle feed.

Regarding the import trade of Manchuria, cotton goods are still the most important item. Total imports for 1927 aggregated 268,000,000 Tls., of which 67,000,000 Tls. represented the share of cotton goods, including yarn. Of the cotton imports, Japan's share is about 53% and China's share 42%. When Newchwang was the only open port in Manchuria, England maintained a virtual monopoly of the import of cotton goods, and later the United States attained the leadership in this trade. Japanese cotton goods were first imported several years before the Russo-Japanese war, but to a rather negligible amount. The Japanese industry in those days was not in a position to compete with either British, American, or Indian mills. Japan's strenuous but constant efforts to develop this industry, specially after the Russo-Japanese war, were gradually crowned with success. Moreover, Japan's geographical position, and her ability to produce a much cheaper staple by mixing raw materials of the American higher grades and those of Indian and Chinese lower grades, ultimately secured the market. Before the outbreak of the European war, the imports of cotton goods, except of the best qualities, were almost wholly supplied by Japan. The war temporarily crippled the cotton mills in Western countries and also ocean transportation, and at this period, Japan enjoyed complete supremacy in this trade in Manchuria. After the war, goods manufactured in China proper gradually increased, and they now represent 42%, next to those of Japan, as already stated.

It must be remembered, however, that the increased importation of Japanese cotton goods into Manchuria means that the Japanese mills must buy more raw cotton from America, India, and China. Nor does

the falling off in the imports of British and American cotton goods affect adversely the total of their imports into Manchuria. On the contrary, the trade of both Britain and the United States has increased in other departments. Imports of machinery and other iron manufactures from America and Europe have steadily increased. Since the South Manchuria Railway Company entered the field, there has been a steady demand for supplies of iron manufactures for mines, iron works, and other industrial undertakings. Imports from the United States, including the Philippines, amounted to 6,775,000 Tls. in 1908, and were increased to 17,638,000 Tls. in 1927; while those of Great Britain and dependencies increased from 2,693,000 to 17,734,000 Tls. during the same period. German imports increased from 150,905 to 5,469,000 Tls. Moreover, the foregoing probably do not represent the total figures; they are the Customs returns, which do not include goods shipped to Japanese ports and Shanghai and thence reshipped to Manchurian ports.

In the trade of Manchuria, as a whole, Japan still maintains the supremacy gained in imports as well as in exports, but she purchases more than she sells. While American and European trade in Manchuria also markedly increased during the last two decades, those countries sold more than they bought, with the exception of Denmark, Holland, and Italy, which are large buyers of soya beans. Manchurian trade with China proper has steadily grown since the European war.

6 Chinese the Chief Beneficiaries

Historically, politically, and economically, Manchuria, in which China's sovereign right is safeguarded, is internationally concerned more particularly with Japan and Russia. Yet the Chinese themselves are the chief beneficiaries, so long as peace and order are maintained and the development of the country continues. Manchuria was liberated from Russian military control after several years of actual occupation by the forces of the Czar, and outside of the leased territories and the railway zones, the administrative entity was restored to China. Ever since, order in Manchuria has been preserved without serious interruption. While people in the central part of China suffer from frequent disturbances, the Chinese in Manchuria enjoy the benefits of peace and prosperity. As already stated, an extensive railway system has been constructed which has proved a very important factor in developing Manchuria. This not only conveys Chinese travellers and immigrants with safety, but the farmers' harvests to waiting markets. The South

Eastern Inner Mongolia, and also for other purposes in these regions, but Japan voluntarily renounced certain parts of this preferential right in a statement made at the Washington Conference, and threw the field open to the joint activities of the International Consortium. In the spring of 1928, when the newspapers reported that the South Manchuria Railway contemplated the issue of a foreign loan for the further development of its iron works, coal mines, and other enterprises, it is said that the project was objected to by certain Chinese who feared such a loan would prejudice Chinese sovereignty in Manchuria. Such fear or suspicion seemed rather sentimental and superficial. Americans for generations past have demonstrated their co-operative talents by introducing British and other European capital in opening up their vast continent, as also in the development of the extensive international co-operative interest in Mexico. Such was also the case with the industrial development of Japan, where foreign capital was liberally used for a quarter of a century. Such industrial co-operation in the past has not affected in any way national independence or territorial integrity, as is sometimes feared in China.

The most dreadful visitation of bubonic plague has more than once been experienced by the people in Mongolia and Manchuria. But co-operative measures for preventing the spread of the plague in Manchuria, promptly undertaken by the Chinese, Japanese, and Russians have proved of real benefit over the whole vast area. The lesson taught by this single instance of co-operation is suggestive of the value of co-operative effort in promoting the welfare of Manchuria as a whole.

The present Report, though describing succinctly the geographical features of Manchuria and the country's history, chiefly referring to its international relations, as the necessary background, is intended to deal more in detail with the material and moral progress effected during the last two decades. It is, however, a matter of regret that the statistical records of parts of Chinese and Russian activities are not as readily accessible as those relating to the Japanese.

I GEOGRAPHICAL FEATURES

8 Situation and Climate

Manchuria lies in the north-eastern extremity of the Chinese Republic. Its area is about 382,000 square miles; that is, about the same as that of Egypt, including the Libyan Desert, or about half of Mexico. While the name, Manchuria, is familiar to foreigers, it is called by the Chinese "Three Eastern Provinces" (Tung-san-hsing), since it comprises the three provinces of Amur (Heilungkiang), Kirin, and Mukden (Fengtien). The terms North and South Manchuria are often mentioned in the newspapers or other publications, but no clear demarcation between the two has been made. Russia first used these terms in a treaty document, namely, in Article III of the Supplemental Agreements between China and Russia, of July, 1898, re the Chinese Eastern Railway. The terms are frequently used in the Sino-Japanese Treaty of May, 1915. So far as transportation facilities are concerned, it is much safer to say that South Manchuria is served by the South Manchuria Railway, and North Manchuria by the Chinese Eastern Railway.

Manchuria extends between lat. 38°43′ and 53°30′ North, and long. 117°50′ and 135°20′ East. It is bordered on the north by Siberia, the Amur River being a natural boundary. Its eastern boundary, between the Maritime Province of Siberia and Korea, is marked by the Ussuri, Tumen, and Yalu Rivers. On the west, its borders touch Eastern Inner Mongolia and China proper. Finally, in the south, Manchuria is washed by the waters of the Yellow Sea and the Gulf of Pechihli. The coast line of Manchuria from the mouth of the Yalu River in the east to Shanhaikwan measures 855 nautical miles, or 976 geographical miles.

Manchuria is traversed from north to south by two large mountain ranges—the Khingans, Great and Little, in the north-western section, and the Changpai mountains near the south-eastern boundary. Between them, extensive valleys, containing the most fertile lands of Manchuria, stretch in a south-westerly direction towards Eastern Inner Mongolia and the Gulf of Pechihli. The mountainous regions are rich in timber and minerals, especially coal. Several great rivers with many branches, running through the valleys between the mountain ranges, serve not only to irrigate the regions through which they pass, but also as routes for navigation. They are the Amur, Sungari, Ussuri, Yalu, Tumen,

and Liao rivers. Though frozen in winter, each of these waterways plays an important part in the commercial traffic during other seasons, this having been the case especially before the present extensive railway communications came into existence.

The climate in Manchuria is more continental than that of Japan, Korea, France, England, or Germany, though Manchuria lies practically within the same zones as the northern latitudes of these countries. It is less affected by ocean currents, but is greatly affected by the proximity of the great Mongolian desert. Manchuria is naturally much drier than Japan or Korea, and has long severe winters and short hot summers. The spring season is windy, terrific winds occasionally coming from the Mongolian plain. These are called by the Chinese "Huang-tu," or "Yellow dust" in literal translation. The following table shows the temperatures of the four seasons of the year 1927, in centigrade, in various localities:

Locality	January	April	July	October
Dairen	− 4.9°	9.4°	24.0°	13.0°
Mukden	−11.1°	10.4°	25.1°	9.2°
Newchwang	− 8.5°	10.1°	25.5°	10.7°
Changchun	−15.6°	8.9°	23.4°	7.1°
Harbin	−19.6°	7.5°	23.8°	9.4°

9 Area and Population

The taking of a census or cadastre survey after the methods adopted by modern nations has not been attempted as yet in Manchuria, except in the Japanese Leased Territory and Railway Zone, and naturally estimates of area and population of Manchuria have varied in some degree. This is especially the case with regard to population, changes in which have become significant owing to the recent heavy migration from the South. The Research Office of the South Manchuria Railway Company gives the following estimates as to area, population, and density of population in Manchuria according to provinces.

December 31, 1927.

Province	Area in sq. miles	Population	Pop. per sq. mile
Mukden	90,224	13,591,100	151
Kirin	81,018	8,766,800	108
Amur	211,385	5,154,900	24
Total	382,627	27,512,800	Av. 72

Although the indigenous native of Manchuria is the Manchu, ninety

per cent. of the present population of 27,512,800, are Chinese. The population in 1907 was estimated at from sixteen to twenty-two millions. The increase is in great measure due to the constant inflow of Chinese immigrants, especially the most extraordinary movement of refugees in recent years. The average population per square mile in Manchuria is 72, or about the same as in European Russia, and considerably greater than that of the United States as a whole, which is 35.5. But, in comparison to Japan, in which the average per square mile is 421, Manchuria is thinly peopled.

The alien population of Manchuria, includes 768,280 Koreans, 240,108 Japanese, 140,554 Russians, and 529 British, 384 German, 322 French, 190 American, and 1,733 other nationals, according to estimates made in 1927.

10 Immigration

Many centuries ago, Chinese and Koreans immigrated to Manchuria. Especially after the Mings drove out the great Mongol ruler in 1368 and occupied the southern part of Manchuria, hundreds of thousands of Chinese settled in the Liao Valley, but while the Manchus engaged in prolonged warfare with the Ming dynasty, most of the Chinese fled for safety to their native provinces. The Manchu dynasty, after it had destroyed the Ming dynasty, adopted a drastic policy, excluding the Chinese from Manchuria by issuing a primitive form of passport, called Lu-piao, without which no person could pass the border at Shanhaikwan. Although this and other exclusion laws existed nominally until 1905, when they were nullified by the Military Governor of Mukden, many Chinese, mainly from Shantung and Chihli provinces, managed to enter by way of the sea, landing on the coast at points now occupied by Newchwang and Port Arthur, and sailing up the Yalu River by means of junks. They continued to increase in numbers.

After the Russo-Japanese War, the extension of railways, which was followed by agricultural and industrial developments, encouraged further immigration. The total of Chinese coolies landed during the period 1922–5 at Dairen, Yingkou, and Antung, or transported by the Peking-Mukden Railway, was estimated from 400,000 to 500,000 a year, but the number increased considerably in 1926 and 1927 as is shown by the following table:

	Dairen		Yingkou		Antung		Peking-Mukden Railway		Total
	No.	Per-centage	No.	Per-centage	No.	Per-centage	No.	Per-centage	No.
1922	170,000		92,176		33,053				
1923	172,014	40	77,087	18	46,577	11	138,011	31	433,689
1924	167,206	34	61,904	13	42,641	9	210,719	44	482,470
1925	197,392	37	96,647	18	40,740	8	197,991	37	532,770
1926	267,062	44	124,743	20	48,287	8	167,260	28	607,352
1927	599,452	51	182,558	15	68,599	6	327,645	28	1,178,254

Of the immigrants arriving during the 1922–25 period, 50 per cent. or more, according to statistics taken at Dairen, where such estimates are most accurate, were merely seasonal labourers who returned to their homes in the late fall, when the harvest work was finished. That is to say, a little less than half remained as permanent settlers in Manchuria. But a marked increase occurring in 1926, and the still more extraordinary increase in 1927, constituted virtually a new phenomenon. Civil war between the South and the North was again raging in 1926. Especially in Shantung, Chihli and Honan provinces, warfare, the prevalence of banditry, tax extortion, etc. drove out the native population, who were desperately seeking refuge and the benefits of peace and order which Manchuria only offers. In the late fall of 1926, contrary to the tendency during the same season of any previous year, many hundred thousands of Chinese immigrants arrived and continued to enter in increasing numbers throughout 1927 during which, it was estimated, no less than 1,178,254 persons arrived. Of these, 599,542 landed at Dairen, 182,558 at Yingkou, 68,558 at Antung, and 327,645 were carried by the Peking-Mukden Line. The refugee immigrants, bringing with them their families and chattels, came with the determination to settle permanently in Manchuria. The statistics taken at Dairen show that the number of those returning to their home provinces in 1927 greatly decreased, as follows:

Year	Migrants landed at Dairen	Migrants returning home through Dairen	Percentage returning against those landing at Dairen
1922	170,000	103,551	61%
1923	172,014	122,474	71%
1924	167,206	113,248	68%
1925	197,392	97,130	49%
1926	267,062	129,642	49%
1927	599,452	141,859	24%

If 24 per cent. of these immigrants returned to their homes in 1927 as shown in the above statistics made in Dairen, those remaining

in Manchuria for the same year would be about 894,000 or 76 per cent. of 1,178,000.

Every possible care is taken to assist the immigrants. The railways provide transportation at reduced rates, while the Chinese guilds and other charitable societies assist them during the period of their migration. The Fushun Collieries of the South Manchuria Railway Company encouraged Chinese immigration immediately after the European war by establishing recruiting offices in Shantung and Shanhaikwan. The South Manchuria Railway in 1925 offered Chinese immigrants a reduced rate of 40% of the ordinary tariff, and since April 1st, 1927, gave free passes to children under the age of fifteen and to persons above the age of sixty.

The Chinese Eastern Railway provided free transportation to children under the age ten and persons above the age of sixty, while the Peking-Mukden Railway gave free transportation to children under the age of twelve.

Refugee Immigrants from Shantung on Deck of Steamship, One Million Chinese arrived in 1927.

Immigrants Arriving at Dairen.

Immigrants Awaiting Quarantine Inspection at Dairen.

Immigrants Boarding Train for the North at Dairen.

Immigrants Travelling on Foot to their future Homes in Manchuria.

II HISTORICAL BACKGROUND

11 Tribes and the Great Wall

Manchuria is said to have been inhabited by aboriginal tribes, chiefly the race of people called the Tungus, as early as 2000 years before Christ.

The ruling tribes were known among the Chinese by different names, such as the Sushen, the I-lon, Tung-hu, Mieh-mo, Fuyu, Kaoli, etc. for many centuries. The Sushen, and their descendants called the I-lon, centered along the Ching-po-hu lake in the upper reaches of the Hurka River, a branch of the Sungari, and spread out in the north-eastern part of Manchuria. The Fuyu inhabited the plains of the present Nung-an prefecture, north-west of the city of Changchun, and spread toward the upper valley of the western branch of the Liao River. The Kaoli, though originally settled in the upper valley of the Yalu, descended to the south-east and spread toward what we know as Korea. A certain anthropologist holds the view that the Japanese and the Koreans are descended from the Tungus race in the greater degree than is any other race. Another tribe was Tung-hu, whose name was dreaded by the Chinese in the period of military anarchy in the Six Kingdoms of China. The Wu-won and the Kitan were related to the Tung-hu. These tribes, though they originally belonged to the Tungus race, mixed in a predominating degree with the Mongol Tartars, and principally inhabited the western part of Manchuria. These Manchurian tribes hunted in the open fields, like the Mongol Tartars, and were nomads, — warriors and herdsmen. As time went on, and the tribes and Tartars grew in numbers and strength, internecine warfare became frequent, and they were a constant menace to the Chinese. The Great Wall, first built by Chao Hsing, King of the Yen Kingdom, in 255 B. C., extended and completed in 214 B. C. by Shih Huang-te, the first Emperor of the Chin dynasty, and running for over 2,000 miles from its western extremity in Shensi province to the Liaotung in Manchuria, proved an effective defense against the assaults on the Empire by the Mongolian and Manchurian tribes which early Chinese annals mention as the Tung-hu and the Hsing-nu (Huns).

12 Tribal Kingdoms

As the aboriginal tribes of Manchuria intermingled with other immigrant tribes and Chinese refugees of superior civilization and higher culture, it was a natural development that several kingdoms, maintaining state organizations, should come into existence. Those recorded are the Fuyu (37 B. C.–494 A. D.), Kaoli (37 B. C.–668 A. D.), Pohai (717–927), Kitan (916–1125), Kin (1115–1234), and the Later Kin (1616–1644). These kingdoms, though some had nominally a sort of tributary relation with China, made war and peace at their pleasure, and often sent envoys as do modern states. The people of Fuyu centered about the plains surrounding the city of Changchun, now the northern terminus of the South Manchuria Railway. The Kaoli, the original tribe of which was said to have separated from the Fuyu, centered in the valley of the Yalu river, and this kingdom once dominated the northern part of Korea and the greater part of South Manchuria, with the Liao river as its western boundary. At the time when Korea was divided into three Kingdoms, Kaoli was also counted one of them, and was called Kokuri in the Korean pronunciation. The Han Dynasty was on friendly terms with the Fuyu, in order to counterbalance the activities of the Kaoli. History records that Japan more than once engaged in warfare with the Kaoli. The tablet inscribed on a stone monument which was erected at Tungkou, the old site of the Kaoli Kingdom, on the Chinese side of the Yalu, about 500 miles up the river from Antung, describes the heroic work of Kuang-kai-tu-wang (392-413), the nineteenth king of the Kaoli, especially his activities in Manchuria and Korea, and also very clearly mentions his warfare against the Japanese. But the Kaoli, when menaced by invasion by a Tang Emperor of China, made an alliance with Japan in 662. The Fuyu surrendered to the Kaoli in 493; the Kaoli were crushed by the Tang Dynasty in 664.

After the wreck of these two states came the Pohai Kingdom, which dominated practically the territories of the old Fuyu and the Kaoli. This state maintained friendly relations with both China and Japan. When it was finally crushed by the Kitan Tartars in 927, it had lasted for over two hundred years, during which time the Pohai and Japan exchanged envoys, and had trade relations.

The vigorous Kitan chieftain, Opaochi, subjected the Nu-chen tribe in the north, dominated the eastern part of Mongolia, and next proclaimed himself emperor of an independent state, with the dynastic title of

The Great Wall of China, Extending Over 2,000 Miles.

Another View of the Great Wall.

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Palimpsest record of archaic characters inscribed upon an ancient stone monument commemorating the Kaoli Kingdom. The memorial is in the centre, the background being an enlarged reproduction. The photograph was taken by Officials of the Government of Korea during a visit to the remote district in which the monument has stood for centuries.

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Liao, in 916. He entered at once upon a long course of encroachment upon the neighbouring kingdoms; and the final result was that Peking was for the first time raised to the status of a metropolis as the Kitan capital. The Kitan Empire spread over Mongolia, Manchuria, the northern part of China, and North Korea to the coast on the Japan Sea. It embraced Outer Mongolia in the West and the greater part of Chihli province in the South, its eastern boundary confined by the Japan Sea.

The Nu-chen, descendants of an original Manchurian tribe, the Sushen, centered at Paicheng, near the present Harbin, and gradually extended their domain eastward into North Korea, and south-westward into the Kitan's territory. By 1150, Akuteng, the leading chief of the Nu-chen, had so far advanced the foundation of an independent kingdom that his dynasty called Kin (Gold) was established. Previously, the Chinese under the North Sung had made an alliance of brotherhood with the Kitan Kingdom under a blood oath, and had not only escaped invasion by the latter, but had gained in prestige. When the Kin gradually grew in power, and the Kitan lost in proportion, China abandoned the brother kingdom and made a secret alliance, in 1120, with the growing new kingdom in order to destroy the Kitan. By this alliance China was to obtain the seventeen Kitan provinces in the Liao valley, and the pledge that the Kin were under no condition to march south of the Great Wall. In return China promised the Kin to invade the southern capital of the Kitan state and to furnish an annual tribute amounting to 500,000 Taels. The Kin's movements were so overwhelming that the Kitans were severely defeated in all directions, and Peking was finally taken by direct assault in 1122, the Kitan Emperor having already sought safety in flight. But China failed to take the southern capital of the Kitan state, and appealed to the Kin for immediate aid in taking the capital, thus giving the latter an opportunity to penetrate considerably beyond the Great Wall. When the question of a settlement of territory between China and the victorious Kin came up, the Chinese Emperor found himself powerless, and the lion's share of the territorial rewards was taken by the Kin. The yoke imposed by the latter on account of China having violated her promise, was more burdensome than that of the dreaded Kitans. The Kin's southern campaigns cleared out everything. The capital of the Sung Emperor was captured. By 1129, the whole of China north of the Yang-tze River was in the hands of the Kin.

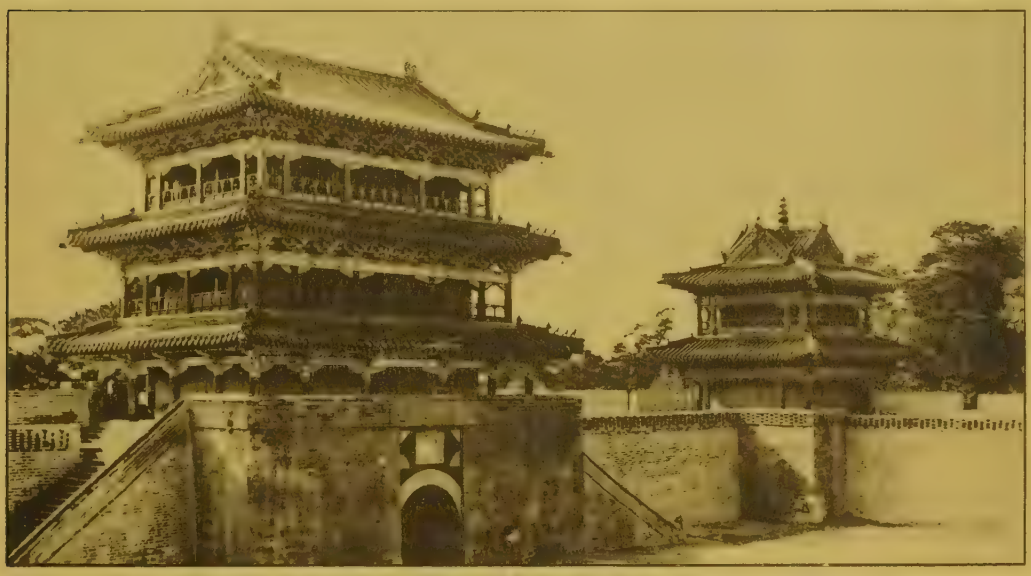
The Kin supremacy did not last long. When the Kin people came

into contact with the Chinese, the hardy warriors of the conquering race were quickly softened by the ease and luxury of the Sung civilization. They were no longer strong enough to resist the invasion of the newly rising Mongol Tartars under Genghis Khan. The southern Sung, seizing an opportunity again to play their traditional diplomacy, entered into a secret alliance, this time with the Khan to destroy the Kin. Finally, in 1234, the Kin Dynasty of Nu-chen was crushed by Ogotai, third son of Genghis Khan, with the aid of the Southern Sungs, who were themselves in turn wiped out by Kublai Khan, the first Mongol Emperor to rule over the whole of China.

China in those days often practiced the traditional diplomatic axiom, known as "Yuan-Chiao-Chin-Kun" (遠交近攻) or "I-I-Cheng-I" (以夷制夷). The former means, "Check your neighbour by befriending those who are further from you"; and the latter, "Fight in co-operation with one foreign devil against the other." "Double-crossing," however, did not always operate successfully when it met overwhelming foes, such as the Kin or Kublai Khan. On the contrary, the Chinese themselves rather became its victims. Thus the Kin Dynasty was destroyed by the Mongol conquerors, who, one hundred and thirty-four years later, in 1368, were themselves driven out of China by a native Chinese, known as Chu Yuan-chang. He placed Manchuria under a Chinese dynasty, known to history as the Ming. But the tribesmen of the old Kin under the name of Nu-chen were never annihilated either by the Mongolian or the Ming Dynasty. Ming rule did not extend further than the present Liaotung Peninsula.

Among many tribes which traced their ancestry to the Nu-chen of old, three groups were prominent: the Haisi Nu-chen, in possession of the western portion of the valley of the Sungari: the Chienchou Nu-chen on the Korean border, and the wild Nu-chen, on both banks of the Amur. During the ensuing two hundred years their warlike spirit, however, led to frequent warfare with the Mongol Tartars, with the Koreans, and with the Chinese rulers. It is no wonder that the Nu-chen tribes produced, in 1559, a young hero, called Nuerhachi, who altered the course of Chinese history to such an extent that for nearly three hundred years his descendants sat on the throne of China as the Taching Dynasty. He first came into prominence in 1583, when, at twenty-four years of age, he took up arms in consequence of the treacherous murder of his father and grandfather; and he finally succeeded, three years later, in securing from the Chinese, not only the surrender of the murderer, but also a money indemnity. Soon he suc-

Portrait of Nuerhachi, Founder of the Manchu Dynasty.



Eastern Mansoleum of a Manchu Emperor, at Mukden.

Northern Mansoleum of a Manchu Emperor, at Mukden.

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ceeded in amalgamating the Nu-chen tribes under his personal rule. Following up his victory by the annexation of neighbouring states, he began in 1616 to present a bold front towards the Chinese, declaring himself independent, calling his domain the Kingdom of the Later Kin, and refusing any longer to pay tribute. Mukden, Liaoyang, and Kaiyuan were successively taken by him. The Ming army and a Korean force were driven before him in the valley of the Liao. But he was never able to break through Shanhaikwan and the Great Wall. At his death, in 1626, his fourth son, Abkai, succeeded him at the age of thirty-four. This new leader of the Nu-chen, a tried warrior himself, was ever determined on the conquest of Peking. He was very successful in his campaigns against the Koreans and Mongol states, and in bringing them to his side in the hope of thus securing an easy passage for his armies into China. In spite of the fact that he had done admirably well all through his hard struggle against the Chinese, he failed to penetrate to Peking just as his famous father had failed. He died in 1643 very suddenly while his big campaign was still pending. In 1636, this ruler had changed the name of his Kingdom of Later Kin to Taching. It is said that this Taching monarch in the same year gave the name "Manchuria" to the land of Nu-chen by taking the Buddhist-posthumous name of his father, Manchu, in commemoration of the founder of the dynasty.

Taching's ninth son, a mere infant of five, succeeded him. This infant sovereign, under the able regency of his father's younger brother, continued the campaign to complete the work of the late ruler, by placing 100,000 Manchu warriors in the region west of the Liao River. Meanwhile, internal trouble broke out on the Chinese side, and a rebel, called Li Tzecheng, took Peking. The Ming Emperor hanged himself in March, 1644. This gave the Manchu leader a good opportunity to enter Peking unopposed, which he did in May, 1644. The boy sovereign moved his capital from Mukden to Peking simultaneously, and the Manchu dynasty of Taching was proclaimed over all China on the first of October in the same memorable year.

13 Manchuria under the Manchu Dynasty

Manchuria remained under the sway of the Taching, or Manchu Dynasty, for 268 years — from 1644 to 1912, when the last Emperor, Pu Yi, issued his final Imperial Edict by which he renounced the Imperial throne and proclaimed the most radical change in the form of

the state — from a monarchy to a republic.

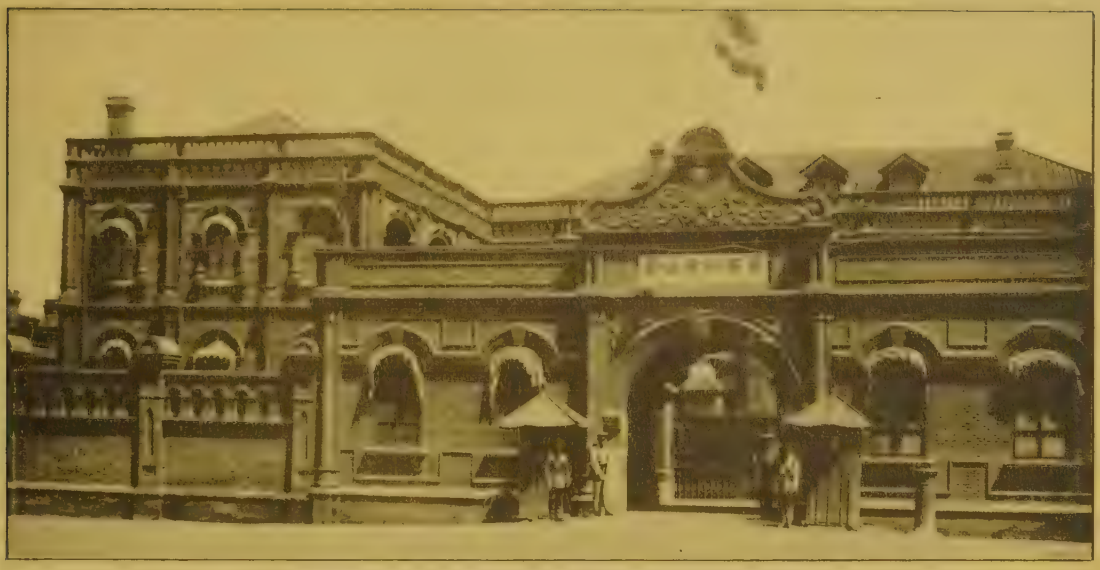
Regarding international questions concerning Manchuria, China, under the Manchu Dynasty had had relations with Russia since 1687, on the boundary question; and with Japan since 1894. When Great Britain and France declared war against China in 1859, their combined squadrons made use of historic Port Arthur as the base of operations. Two years later, Newchwang was opened to foreign trade. The international questions concerning Manchuria will be treated in more detail later in the sections dealing with Russia's advent and the Japanese in Manchuria.

After the Manchus had established their rule over China, Manchuria was treated as an extramural part of the Chinese Empire for many years.

The region and its people, during the Taching Dynasty, were accorded special treatment. When the Chinese Empire became unified, the Manchu imitated the Mongol ruler in leaving the civil administration of the Empire to a great extent in the hands of Chinese literati. Important offices in the Court and central and provincial Governments, however, were mainly reserved for Manchu nobles and leaders. All Manchuria was placed under a military administration in which the Manchu personnel and customs were maintained. Mukden, Kirin and Amur Provinces each had a military governor vested with complete authority, both civil and military. In making appointment to important offices in the provinces of China proper, such as that of governor or viceroy, no official was ever appointed to a post in the province of his birth, except in Manchuria, which was governed by men of Manchu origin up to 1907. After the Russo-Japanese war, regulations relating to provincial governors in the Three Eastern Provinces (Manchuria) were promulgated following a memorial addressed to the Emperor by Hsu Shih-chang and Tang Shao-i in April 1907. The military governors conducting the administration of these Three Eastern Provinces were replaced by civil governors under the control of a Viceroy or Governor-General.

14 Manchuria under the Republican Regime

When the republican regime was inaugurated in 1912, a civil governor and a military governor were appointed to each province. The latter's authority extended only over military affairs under the orders of the President and the Minister for War at Peking. The central



Provincial Government Office at Mukden.

Provincial Government Office at Kirin.

Provincial Government Office at Tsitsihar.

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authority, however, declined as time went on and military governors' powers grew in proportion. When the question arose of joining the Allies in the war against Germany, in 1916, most of the military governors, including Military Governor Chang Tso-lin, of Mukden Province, requested President Li Yuan-hung to dissolve the Parliament which opposed a declaration of war against Germany and to amend the Constitution, which made necessary the consent of the Legislature to a declaration of war. When the President rejected this proposal, Chang Tso-lin and other military governors declared their respective provinces independent of the Central Government. Through the mediation of the Governor-General of the Yangtze Valley, Chang-Hsun, Chang Tso-lin withdrew his declaration of the independence of Mukden. After Soviet Russia had made a separate treaty of peace with Germany at Brest-Litovsk, Chang Tso-lin was appointed, in September, 1918, Governor-General of the Three Eastern Provinces in order to provide against the danger that the Russian disturbance might extend within the Chinese frontier. He was also appointed Superintendent-General of the Mongolian frontier, in 1921. In the civil war of the spring of 1922, which was caused by friction between General Wu Pei-fu, of the Chihli party, and General Chang Tso-lin, of the Mukden party, the Mukden forces were defeated and withdrew from Chihli province. President Hsu Shi-chang immediately issued an order to dismiss Chang Tso-lin from the offices held by him. Various associations of the three provinces supported Chang Tso-lin, and unanimously passed a resolution as follows:

"The life of 30,000,000 people of Manchuria depending on the fate of Chang Tso-lin, any order dismissing Chang Tso-lin from the important offices he holds in Manchuria shall not be approved."

Simultaneously, Chang made a declaration of the independence of Manchuria, in May, 1922, which was communicated to the Foreign Ministers at Peking and to the Foreign Consular body at Tientsin. This declaration was in purport as follows:

(1) The Three Eastern Provinces of Manchuria, and Mongolia, Inner and Outer, cannot be recognized as a part of the Chinese Republic.

(2) As he holds a peculiar position in these regions, Chang Tso-lin shall be responsible for safeguarding life and property therein, and shall maintain cordial relations with friendly nations.

(3) The Treaties concluded hitherto with the Manchu Dynasty and the Chinese Republic shall be respected.

(4) Any foreign Minister or Consul desiring to negotiate should apply to his office.

(5) Any treaty relating to Manchuria which may be concluded by the Peking Government, shall require his direct approval.

As a matter of fact, Chang acted as the representative of an independent state, and concluded on October 8, 1924, a separate agreement re the Chinese Eastern Railway in the name of "the Government of the Autonomous Three Eastern Provinces of the Republic of China" with the Soviet Republic of Russia, without referring to the Peking Government.

The second Mukden-Chihli collision took place in the autumn of 1924, when Marshal Wu Pei-fu, of the Chihli party, was overthrown by Marshal Chang Tso-lin, of Mukden, in association with General Feng Yu-hsiang, of the Kuominchun, who abandoned his former chief, Wu Pei-fu. The following year Tuan Chi-jui was made Provisional Regent acting as President with the support of Marshals Chang and Feng.

Now Feng began to struggle with Chang for the mastery of Peking, in co-operation with Tuan Chu-jui, and with the support of Soviet Russia. At the beginning Feng was so far successful that in December, 1925 he forced Chang's forces to withdraw to Tientsin, and later to retreat to Manchuria, by a flank attack in secret co-operation with Kuo Sung-ling, who, though he was a trusted general of Chang Tso-lin, revolted against his chief. Chang, this time in association with Wu Pei-fu, waged another war for the overthrow of the Russian-supported Feng. This was called the third Mukden-Chihli war. Feng's army, the Kuominchun, finally evacuated Tientsin and Peking in April, 1926.

The victorious Chang Tso-lin, though he remained for some time at headquarters in Tientsin, entered Peking December 27, 1926, as Commander-in-Chief of the Ankuchun (Peace Restoration Army), assuming the leadership of all the anti-Southern armies in North China. It was generally believed that he would assume office as President, but after conferences with various military leaders, and ostensibly at their request, Chang Tso-lin ceremoniously assumed the office of Tayuanshuai, Grand Marshal or Generalissimo, on June 18, 1927. On the same day, a Mandate on the Organization of the Military Government of the Chinese Republic was issued, containing seven articles, in part as follows: (1) The Grand Marshal controls the Army and Navy of the Republic. (2) During periods of military administration, he represents the people of the Republic, exercises supreme authority, and guarantees the legal rights of the people. (3) A cabinet is to be attached to the Military Government to assist the Grand Marshal in the conduct of political affairs.

15 Russia's Advent in the Pacific

In the sixteenth century, the Russians crossed the Ural mountains primarily to obtain furs in Asia, while the Portuguese and Spaniards opened a sea route to further Asia in order to obtain the famed spices of the East. Encouraged by lucrative gains, the fur-hunters gradually pushed their way eastward through Siberia to the Behring Sea, and even across to Alaska. These forerunners of empire, with the Cossacks, in the 17th century came into contact with the Chinese, and often engaged in warfare on the Upper Amur. A Treaty concluded on October 27, 1689, at Nerchensk, between Chinese and Russian envoys, brought Russia to the northern boundary of Manchuria along the Argun River, a tributary of the Amur, and the mountain range of the Kamennue to the Okhotsk Sea. This was the first treaty China ever signed with a European power; it was also the first treaty relating to Manchuria. While China was much concerned as to the question of ratification of the Tientsin Treaty with Great Britain and France, Muravieff, Viceroy of Eastern Siberia, took the opportunity to exact from China the so-called Aigun Treaty of May, 1858. By this Treaty the whole vast territory north of the Amur River to the Behring Sea was definitely handed over to Russia, and another large territory east of the Ussuri River to the Sea of Japan and the Korean frontier, which is called the Maritime Province, was placed under the common ownership of China and Russia. China again got into trouble with the British and French Commissioners, who were flatly refused permission to proceed to Peking where the Tientsin Treaties were to be ratified. Subsequently, British and French allied forces, of 18,000 men, took Tientsin and Peking, in 1860, and the Imperial Court fled north to Jehol, a summer capital. During the progress of this catastrophe, General Ignatieff, Russian Minister, offered his services as intermediary. China finally ceded the demands of Great Britain and France. At the same time, China was not in a position to deny Russia what she wanted for her services, though the latter had spent little money and used no force. After the ratification of the Tientsin Treaties, Russia advanced from the common ownership (with China) of the Maritime Province, and assumed absolute ownership through the Peking Treaty concluded on November 14, 1860.

On Peter-the-Great Bay, of this province, Muravieff, as Viceroy, founded the port of Vladivostok for the accommodation of the Russian Pacific Fleet.

16 Railway Penetration in Manchuria

Emperor Alexander III dreamed of the construction of a Trans-Siberian Railway connecting European Russia with Vladivostok, and was so impatient that he appointed Sergey Yulyevich Witte to be Finance Minister, on September 11, 1892, in addition to the post he then held of Minister of Ways and Communications. The Finance Minister, as head of an independent ministry, had heretofore naturally discouraged, if not opposed, the vast enterprise involved in this railway construction. But in his double capacity, Witte concentrated his energy on the contemplated construction of the Trans-Siberian Railway, and is reported to have said to his sovereign: "I will devote myself body and soul to the task!" The construction of the Ussuri Railway, connecting Vladivostok with Khabarovsk, inaugurated on May 19, 1891, was hastily completed under Witte's administration. In the meantime, the Trans-Siberian, which was under construction, had reached Transbaikalia, and the question arose as to the further direction which the railroad should follow. Witte conceived the idea of building the road straight across the Chinese territory, Manchuria, toward Vladivostok, as being much easier and more economical than would be a road built entirely in Russian territory along the course of the Amur River.

Japan was victorious in the war with China in 1895, and demanded the cession of the Liaotung Peninsula, a part of South Manchuria. A provision in the Shimonoseki Treaty ceding the Liaotung to Japan by China excited the Russian statesmen, especially Witte. As he believed that Japan's permanent occupation of the Peninsula would interfere with his plans for railway penetration in Manchuria, Witte initiated a triple intervention of Russia, France, and Germany against Japan for the restoration of that territory to China. Japan at that juncture could only most reluctantly comply. Witte also made an arrangement with a French syndicate to furnish China with a loan to pay the Japanese indemnity, this being a four per cent. loan of 400,000,000 francs under a Russian guarantee. In the meantime, the Russo-Asiatic Bank was established to participate in the new financial activities in China.

Russia was not slow to utilize these friendly acts to obtain compensation from China. When Li Hung-chang was sent to attend the Czar's coronation in April, 1896, Witte was empowered by his sovereign to conduct negotiations with the Chinese envoy concerning the so-called "secret pact." This secret pact was concluded in treaty form as "the Treaty of Alliance between China and Russia." The treaty was kept in

strict confidence for many years, and became ironically known to publicists as the Cassini Convention. Through this treaty, which provided for a Russo-Chinese alliance against Japan, Russia obtained from China formal consent to extend the Trans-Siberian Railway straight through Manchuria to Vladivostok, in the name of the Russo-Asiatic Bank. Thus it was possible to shorten the Trans-Siberian line by 568 miles. The railway, 919 miles in length, running through Chinese territory, was called the Chinese Eastern Railway, the Company of that name being organized in 1896, and construction beginning in August, 1897. The contract for the construction and operation of the Chinese Eastern Railway was signed between the Chinese Minister to Russia and the Russo-Asiatic Bank at Berlin. By the fifth Article, civil and criminal jurisdiction in the Railway Zone was given to the Chinese Eastern Railway Company, this being something like consular jurisdiction. "Absolute and exclusive right of administration" in the Railway Zone was given to the Company.

Russia was not satisfied with Vladivostok as an outlet on the Pacific, for the port is ice-bound more than half the year. Immediately after Germany acquired the lease of Kiaochow harbour and the railway concession in Shantung province, in the spring of 1898, Russia obtained, by a convention concluded on March 28 of that year, a lease of Port Arthur and Dairen, and the adjacent territory and territorial waters for twenty-five years. By this Convention, the Chinese Eastern Railway Company was authorized to construct a branch line running 624 miles from Harbin to Dairen and to Port Arthur on the same conditions as those relating to the Chinese Eastern Railway, including civil and criminal jurisdiction and administrative power in the Railway Zone.

The construction of a trunk line to Dairen and a branch line of the Chinese Eastern Railway to Port Arthur, the reconstruction of Port Arthur as a Russian naval station, with extensive fortifications, the construction of a modern harbour and city at Dalny (Dairen) as a terminal of the branch line, and the founding of the modern city of Harbin, as a junction of the Chinese Eastern main line with its South Manchurian branch line to Dairen, were practically completed prior to the Russo-Japanese war, and Russia was said to have spent thereon more than 588,000,000 roubles.

The following table gives details of expenditure:

	Roubles
Construction of the Chinese Eastern Railway (including branch line to Port Arthur)	375,000,000
Additional expenses of construction	75,560,000

Dairen Harbour construction expenses	10,000,000
Dairen City construction expenses	8,800,000
Dairen land purchase expenses	1,380,000
Port Arthur Harbour and City expansion expenses	17,400,000
Harbin City foundation expenses	100,000,000
Total	588,140,000

In addition, many millions of roubles were spent for the reconstruction of fortifications at Port Arthur, the amount of which is not known.

The Boxer outbreak in 1900 gave another advantage to Russia, in that she placed large bodies of troops throughout Manchuria. Though frequent assurances that she would withdraw these troops were given owing to the representations of Japan, Great Britain, and the United States, Russia did not carry them out. Meantime, Russian penetration into Korea gradually became acute. Russia's unconciliatory attitude toward Japan's approaching attempts at a friendly adjustment of the rapidly developing problem of Manchuria and Korea finally led to the Russo-Japanese War, 1904-5. By the peace treaty concluded at Portsmouth, N. H., U. S. A., Russia ceded to Japan her railway from Changchun to Port Arthur and her territorial lease of the Kwantung Peninsula.

After the war with Japan, Russia changed her policy in Manchuria and looked upon her Manchurian railway more as a commercial undertaking. As Russia was much concerned with European politics in connection with German activities in the Balkan Peninsula and Morocco, she showed a spirit of co-operation with Japan in joint activities in Manchuria, as was shown in the convention and treaty with Japan concluded respectively in 1907 and 1910. Instead of double-tracking her Chinese Eastern Railway line, Russia built the so-called trans-Amur Railway connecting Europe with Vladivostok on Russian territory throughout. The construction of these 1,240 miles of line began in 1908, and was completed in 1916 at the cost of 295,000,000 roubles.

17 After the Bolshevik Revolution

The Bolshevik revolution in European Russia brought about chaotic conditions in Siberia, and had a bad effect on Russian railway and other interests in Manchuria. After the separate treaty was signed between Soviet Russia and Germany at Brest-Litovsk, on March 3, 1918, the Bolshevik army combined with the German and the Austrian prisoners, who had been released, fought the anti-Bolshevik leaders, Admiral Kolchak, of

the Omsk Government; General Semenoff, leader of Russian reactionaries in Eastern Siberia; and General Horvath, of the Chinese Eastern Railway. Chinese military forces seized the opportunity to occupy a part of the Chinese Eastern Railway on December 18, 1917, ostensibly to maintain peace and order, as well as to protect the inhabitants, both foreign and native. Subsequently, a new and important factor was injected into the Siberian situation through the advent of fifty thousand Czecho-Slovaks, who moved from European Russia toward Siberia and came into collision with the Bolsheviks and their German allies. It was deemed necessary that they be rescued by international effort.

Among many other non-Bolshevik Russians, Mr. Eugene de Schelking, formerly Secretary of the Russian Embassy at Berlin, most strongly urged allied intervention in Siberia with a force of 80,000 soldiers, of whom at least 50,000 must be Japanese.

The Russian citizens in Harbin and Vladivostok also passed resolutions appealing for military aid from the Entente allies. The advance of the Bolsheviks under the leadership of German Imperialism was regarded as a serious menace to the Far East by the Japanese Press, which urged the Government to provide measures to meet it, but the Japanese Government did not take any actual step till the United States began in June, 1918, to negotiate with Japan with a view to sending a Japanese-American force to Siberia to the aid of the Czecho-Slovaks. A contingent of the allied forces, American, British, French, and Japanese, landed at Vladivostok, and was received with great enthusiasm. The Commander-in-Chief, General Oh-i, of the Japanese Army was elected as the Commander-in-Chief of the Allied Force. A Committee of the allied forces, including representatives of China and Russia, arranged the distribution of this international army along the railways. The western part of Baikal was assigned to French, British, and Czecho-Slovak troops; the eastern part of Baikal to Russian and Japanese; the Chinese Eastern Railway zone to Chinese forces; the southern part of Ussuri Railway to the American force; and the northern part of the Ussuri Railway and the Amur Railway line to Japanese troops. In order to ameliorate the disorderly condition of the Chinese Eastern and Siberian Railways, and thereby to restore their efficiency, an Inter-allied Committee consisting of a representative each of China, France, Great Britain, Italy, Japan, Russia, and the United States, under the presidency of a Russian, was organized in January, 1919. Under this committee there were two boards: first, a Technical board under the charge of Mr. John F. Stevens, an American engineer, and, second, a Military

Transportation board under the charge of Major-General Shibo, of the Japanese Army. According to this arrangement, 20,000,000 yen was to be defrayed by the allied countries, of which 8,000,000 yen each was apportioned respectively to Japan and the United States.

In the meantime, the attitude of the Great Powers towards the Bolsheviks underwent a change. In January, 1920, the United States suddenly withdrew her troops from Siberia, as she deemed that the original purpose of the expedition had been accomplished. Japan made a declaration on March 31, 1920, that she was looking forward to the withdrawal of her troops at an early date, but that withdrawal was not so simple a matter for Japan as it was for other Allied Powers. The massacre at Nicolaievsk of more than seven hundred Japanese, including a Consul, women and children, caused Japan to occupy certain points in the Russian Littoral and Sakalin as a measure of reprisal. The Japanese evacuation of Trans-Baikal and Amur Province was completed by August of the same year.

After the Far Eastern Republic had been established in Chita in 1920 with the approval of the Soviet Government, Japan, in 1921, approached that Government in order to negotiate an agreement relating to the evacuation and the re-establishment of commercial relations. At the Washington Conference the Japanese delegation declared that it was the fixed policy of Japan to respect the territorial integrity of Russia, and that Japan's evacuation from the Maritime Province would be effected as soon as the security of the Japanese residents and of the Korean frontier region was established. The negotiations with the Chita Government ended in a deadlock, but Japan withdrew her entire forces from Vladivostok and other points in the Maritime Province on her own initiative at the end of October, 1922.

China, however, did not withdraw her forces from the zone of the Chinese Eastern Railway. On the contrary, China took steps gradually to recover military and police power in the Railway Zone, taking advantage of the attitude of the Soviet Government, which was anxious to obtain recognition from the Chinese Government by renouncing "all rights, privileges, and concessions," provided in the agreements concluded by the former Czarist Government. In the spring of 1920, General Pao Kuei-ching, Military Governor of Kirin province, availing himself of a disturbance among workmen of the railway, prevented General Horvath from continuing his official functions, and disbanded all the Russian military guards and police forces along the railway. The zone of the Chinese Eastern Railway was thereafter

exclusively guarded by the Chinese army and police. With the withdrawal of recognition by the Chinese Government of the Czarist diplomatic representative and consuls, which was effected by the President's mandate issued on September 23, 1920, the Consular jurisdiction of Russia in China was suspended. By another mandate, dated October 31st, Chinese courts were established in Harbin and in other sections of the Railway Zone, and the Russian tribunals were thereby all closed. As a consequence of the Presidential mandate of February 10, 1921, the Chinese authorities were to assume municipal administration in Harbin and along the railway.

Meanwhile, Soviet Russia was cultivating a good understanding with China. Mr. Leo Karakhan, Assistant Commissioner of Foreign Affairs in Moscow, made a declaration in 1919 "to the Chinese people and the governments of North and South China," stating that it was Soviet Russia's policy to enter into treaty relations with China on an absolutely equal footing, by renouncing, without compensation, all rights, privileges, concessions, and properties provided in the agreements concluded during the old Czarist Regime, and also stating that the obligation of the further payment of the Boxer indemnity would be cancelled. China was also advised to dismiss the Czarist diplomats still in Peking.

Mr. Yourin was sent during the following year to China as the representative of Chita and Moscow. He had an informal interview with the Chinese Foreign Office, but could not enter into any formal negotiations.

Mr. Abram Adolph Joffe was sent to Peking in August, 1922. Nothing was effected, however, until Mr. Leo Karakhan himself arrived in September, 1923, as Joffe's successor in the "Ambassadorship of the United Soviet Socialist Republic to the Far East." After protracted negotiations, two agreements were finally signed, on May 31, 1924, by Mr. Karakhan representing the Soviet Republics, and Dr. Wellington Koo, Foreign Minister of China. One agreement on the general principles for settlement of the questions at issue between the Republics provided for the establishment of normal diplomatic and consular relations. Among the important items, Russia abandoned her extraterritorial privileges in China. She restored all her concessions to China and further renounced the entire balance of the Boxer indemnity due to her. The Republics reciprocally agreed not to recognize any treaty with a third power affecting the sovereign right of the other. With regard to the Chinese Eastern Railway, the agree-

ment recognized Russia's economic ownership, but political sovereignty in the Railway Zone, "such as judicial matters, matters relating to the civil administration, military administration, police, municipal government, taxation," etc. were handed over to China. Another agreement provided for Sino-Soviet joint management of the Chinese Eastern Railway. This stipulated that five Russian directors and five Chinese directors were to constitute the governing board, but in actual management of the railroad, Russian preponderance was guaranteed by a provision that the manager and one of two assistant managers should be Russian, one assistant manager being Chinese. Three months later, the Soviet Government concluded an agreement with the Government of the Autonomous Three Eastern Provinces of the Chinese Republic, on October 8th, at Mukden. So far as the Chinese Eastern Railway was concerned, this agreement was almost similar to the provisions of the agreement concluded by the Peking Government. The only difference was that while the Peking agreement remained silent regarding the period of concession of the Chinese Eastern Railway, the Mukden agreement provided that the time limit as stipulated in Article XII of the contract for the construction and operation of the Chinese Eastern Railway of September 8th, 1896, should be reduced from eighty to sixty years. Regarding the redemption of this railway, the Peking Agreement simply provided that "China may redeem the railway at some future time," but the Mukden Agreement distinctly provided that China should obtain possession of the railway and appurtenant property without compensation at the expiration of sixty years.

According to this Mukden Agreement, the Governing Board of the Chinese Eastern Railway was soon reorganized in the appointment of directors and managers by the Soviet and the Mukden Governments. It was said that the expense of the railway guards, which amounted annually to about 4,000,000 roubles, should be paid to the Mukden Government by the Company.

18 The Japanese in Manchuria

Setting aside Japan's relations with the tribal kingdoms of Manchuria in ancient times, Japan did not come into direct contact with this region until the war with China broke out in 1894, as the result of a controversy over the question of Korean independence. The Japanese armies occupied the southern portion of Mukden Province in Manchuria from the Yalu River to the Liao River at Newchwang in

their campaign of half-a-year. After the fall of Port Arthur and Weihaiwei, when the Japanese army and navy concentrated at the mouth of the Gulf of Pechihli and were ready for a direct attack on Peking, Viceroy Li Hung-chang visited Japan for peace negotiations, and the Treaty of Peace was signed at Shimonoseki on April 17, 1895. By the Shimonoseki Treaty, China, among other things, ceded to Japan in perpetuity all the territory south of a line drawn from the mouth of the Yalu to Yingkou (Newchwang) through Feng-huang and Haicheng, commonly known as the Liao-tung Peninsula, covering the area of about 10,582 square miles. Russia hurriedly obtained the co-operation of Germany and France in concentrating their Asiatic squadrons in North China, and these three Powers "advised" Japan, "in a spirit of cordial friendship," to restore the Liao-tung to China. As the Japanese naval forces, after their hard struggle with China, were unable to cope the squadrons of the three Powers, the only practical step was to accept the advice of the allies.

19 After the Sino-Japanese War

Although the legitimate fruits of war were thus snatched from Japan by the intervention of the Continental Powers, Japan through the Shimonoseki Treaty took a significant step toward opening China to world commerce, particularly by securing access to new ports and waterways extending into the interior, specially in the Yangtze valley. Foreigners were also permitted to "engage in all kinds of manufacturing industries in open cities, towns and ports in China." Newchwang, opened early in 1861 in accordance with the Tientsin Treaty, was the only port opened to foreign trade in Manchuria. Japan's trade through this port was insignificant until after the Sino-Japanese war. Japanese soldiers and civilian traders attached to the army came back from Manchuria with keen appreciation of the value of the Manchurian beans and bean-cake — beans for foodstuff manufacture and bean-cake for Japanese rice-field fertilizer. The export market for the latter had hitherto been limited to South China, where it was used in the sugar plantations as fertilizer. Just about this time, Japanese farmers were greatly handicapped by the high cost of fish fertilizer, which they had been using for generations past. Japanese purchases of bean-cake increased so rapidly that they exceeded the total export to South China by 1899. Japan's increasing purchases of this product naturally stimulated the gradual increase of the import of Japanese staple goods into Manchuria.

Prior to the Russo-Japanese war, the foreign trade of Newchwang was carried on chiefly by Japan, Great Britain, and the United States. While Japan was the heaviest purchaser of Manchurian products, the United States and Great Britain were the largest importers of cotton goods. The table below shows the trade at Newchwang for 1903. Although the figures showing the shares of Great Britain and the United States in the Customs returns seem rather negligible, the greater percentage of 14,786,056 Hk. Tls. under the heading of "foreign goods imported from other Chinese ports" were cotton goods imported chiefly from the United States and Great Britain.

Countries	Import	Export
Japan	2,466,002	9,374,320
Hongkong	2,972,368	695,023
Great Britain	46,842	12,674
U. S. A.	10,850	—
Other countries	254,933	96,946
Total	5,750,995	10,178,963
Foreign goods imported from other Chinese ports (indirect)	14,798,056	
Chinese goods, imported and exported	7,330,611	9,802,626
Grand Total	27,879,662	19,981,589

20 Russo-Japanese War and the Treaty of Portsmouth

During the Boxer trouble in 1900, Russian troops occupied the Port of Newchwang and Mukden, and the civil administration of the former was conducted by the Russian Consul. The Shanhaikwan-Newchwang-Hsinmintun Railway, built with a loan furnished by the Hongkong and Shanghai Bank (an English institution), was held by Russian troops from the end of September, 1900. While the peace negotiations between China and the Allies were being conducted at Peking, the Peking correspondent of the London Times reported, in the issue of January 3, 1901, a "Manchurian convention" by which all foreigners, save Russian, would be excluded from trade in Manchuria. The Russian movement in Manchuria gave occasion for alarm to the trading nations, particularly Great Britain, Japan, and the United States. One of the chief aims of the Anglo-Japanese Alliance, concluded on January 3, 1902, was to counteract the Russian penetration into Manchuria. Somewhat influenced by the Anglo-Japanese Alliance, and by the representations of other Powers, Russia modified, by the Convention of April 8, 1902, her demand in respect of Manchuria and promised to evacuate Manchuria.

Russia seemed faithful to the undertaking in the beginning, but she not only failed to carry out her promise, but renewed her activities in the spring of 1903, and demanded in return for evacuation a series of new conditions, which Japan regarded seriously as a destruction of equal opportunity for the commercial nations and an infringement on Chinese sovereignty. The Japanese were further provoked by the movement of the Russian troops in Manchuria and the northern part of Korea, and by the Russians strengthening their naval forces in the Far East. In Korea, Japan had been politically and economically much concerned with Russia after the Sino-Japanese war. Japan, however, approached Russia directly in an attempt to settle the questions at issue in Manchuria and Korea by treaty negotiations, which started in June, 1903. After procrastinating pourparlers, Japan, gradually realising that Russia was utterly insincere as to a diplomatic settlement, was compelled, on February 5, 1904, to take independent action to safeguard her "established rights and legitimate interests," which resulted in the Russo-Japanese war.

After a campaign of less than one year and a half, the Japanese army again occupied Southern Manchuria, but this time as far as Changchun. Through the mediation of the President of the United States (Mr. Roosevelt), a peace treaty was finally concluded between Japan and Russia, on September 5, 1905, at Portsmouth, New Hampshire. In the Russo-Japanese war Japan lost 120,000 lives and 2,000,000,000 yen. During the negotiations, Japan asked Russia for "reimbursement" of the cost of the war, instead of an "indemnity," but this was refused, and only 100,000,000 roubles were paid to meet Japan's expenses in caring for Russian prisoners of war. Russia, by the Portsmouth Treaty, transferred to Japan her lease of the Kwantung Province, the railway between Port Arthur and Kwangchengtzu (Changchun) and branches, and the coal mines along the railway, as well as various rights appertaining thereto. Soon after his return to Japan, Baron (later Marquis) Komura, the Japanese plenipotentiary at the peace negotiations, proceeded to Peking "to obtain the consent of the Chinese Government." The Treaty of Peking, signed on December 22, 1905, approved the above-mentioned transfers to Japan. By an additional agreement, China also gave Japan "the right to maintain" and "improve the military railway line between Antung and Mukden" which had been built during the war by the Japanese troops, so as to make it "fit for commercial and industrial goods of all nations." By an appended protocol to this treaty, China pledged herself to Japan "not to construct any main line in the neighbor-

hood of and parallel" to the South Manchuria Railway, "or any branch line which might be prejudicial to the interest of the above-mentioned railway."

21 Post Bellum Policy of Japan

Prior to the Russo-Japanese war, the maintenance of the Open Door policy by Japan in Manchuria was one of the important issues in her contest with Russia, and it was most natural that when peace came Japan and Russia should agree to uphold this policy. By an agreement supplementary to the Peking Treaty of 1905, Japan caused China to open nineteen important cities and towns in Manchuria, such as Liaoyang, Hsinmintun, Tiehling, Kirin, Harbin, Tsitsihar, Aigun, Manchouli, etc. In view of Japan's declared policy of the maintenance of equal opportunity for all nations and the territorial integrity of China, the development of Manchuria through Japanese enterprise was realised to be a most complicated and delicate matter. A commission on Manchurian Post-bellum Enterprise was organized in February, 1906, for the special study of the subject. The members were the Prime Minister, Marquis (now Prince) Saionji; the Chief of the General Staff, Baron (later Count) Kodama; and other heads of departments concerned. Marquis Saionji paid a visit to Manchuria; after which the commission laid down fundamental principles: one, to maintain Chinese sovereignty and equal commercial opportunity, and to encourage joint enterprises of Japanese and Chinese; the other to supersede Japanese military by civil administration as quickly as possible. The program formulated by the Post-bellum Enterprise Commission was approved on May 22nd at a Council of Cabinet Ministers and Elder Statesmen before the Imperial Throne.

Two important steps were rapidly taken by Japan in South Manchuria. By an Imperial ordinance promulgated on June 7, 1906, the South Manchuria Railway Company was called into being and the newly-acquired railway operated by the Japanese military authority was transferred to the management of this joint-stock corporation; the second step was the establishment of the Government-General of Kwantung by an Imperial ordinance promulgated on July 30, the same year. The military administration in the Leased Territory hitherto conducted by the Japanese army authorities was converted into a civil administration under the Governor-General.

While Japan was preparing to restore the administrative entity of China and to open Manchuria to foreign trade, the foreign business

communities, especially American and English merchants at Shanghai, who were impatient to resume commercial activities in the late war area as soon as the Russo-Japanese war had ceased, complained to their Governments, alleging (1) that Japanese goods, having free entry to Manchuria through Dairen, where there was no Chinese Customs office, enjoyed a great advantage over the goods of other nationals, who had to send their goods through Newchwang and pay duty; (2) that the Customs house at Newchwang being in the hands of the Japanese military administration, Japanese officers discriminated in favor of the merchants of their own nation; (3) that the Japanese military bridge over the Liao River hindered water traffic at Yingkou and naturally gave an advantage to Japanese railways; and so on. These complaints, although perhaps exaggerated, may have had some basis in fact. It should not be forgotten, however, that Manchuria could remain, as the Portsmouth Treaty provided, under the military administration of Japan and Russia until the end of March 1907, if so desired.

Japan, however, was very sensitive in the matter of restoring Manchuria to Chinese administration, and with it establishing the Open Door policy, so much discussed at that time. In the middle of June 1906, a commission headed by Mr. Yenjiro Yamada, Director of the Political Bureau of the Foreign Office, was sent to China. The special mission was said to have been instructed to arrange, according to the conclusion arrived at by the Council of Elder Statesmen and Cabinet Ministers, held on May 22nd, for the replacing of the Japanese military administration by a Chinese civil administration. This mission was understood to involve the question of the opening of Dairen, as well as Customs matters connected therewith. As soon as the Chinese administration was restored, the Customs station at Newchwang was to be handed over to the Chinese authorities and the Japanese military bridge over the Liao River removed. The preliminary agreement relating to the restoration of Newchwang was signed at Peking on October 2nd. By the final agreement, signed on December 5th, the Japanese military administration was withdrawn on the next day and all Customs administration was promptly handed over to the Chinese authorities. Sanitary undertakings and other public works initiated during the Japanese military regime were turned over to the Chinese authorities without radical change.

The Japanese Government gave notice to the Powers, on August 22, 1906, that the port of Dairen would be established as a free port on September 1st proximo. An agreement was signed at Peking, May 30, 1907, by which a Chinese Customs office was established at Dairen

on July 1st, and merchandise brought by sea to Dairen was to enter free of import duty, but was to be levied on by the Chinese Customs if the merchandise was intended to pass the Japanese frontier of the Leased Territory and so reach the interior of Manchuria.

22 Controversial Questions

It may be regarded as to some extent unfortunate that Japan in the course of her peaceful undertakings in Manchuria, was occasionally involved in controversies with the Chinese authorities, and that these frequently concerned, though in lesser degree, British and American nationals and their interests in regard to the railway concessions. Disputes concerning the Hsimintun-Fakumen Railway concession, the Antung-Mukden Railway, the Chien-tao question (Chinese-Korean boundary controversy), Secretary Knox's proposal to internationalize the railways in Manchuria, etc., occurred at different periods.

In 1907, China was about to give a British firm, Pauling and Co., a railway concession to finance the building of a fifty-mile line from Fakumen to Hsinmintun, with the ultimate right to extend it to Tsitsihar, four hundred miles north, on the Chinese Eastern Railway. Japan repeated friendly warnings against this concession as constituting a violation of a provision of the protocol attached to the Peking Treaty of 1905, by which China agreed not to construct any line "in the neighborhood of and parallel to the South Manchuria Railway." When the contract for this concession was signed in November, Japan promptly opposed it. In February, 1908, Japan proposed a compromise by indorsing the Chinese plan, if China would consent to extend the line to Tiehling or some other suitable point on the South Manchuria line. China refused to accept this, and suggested that the question be referred to The Hague Tribunal. Japan declined to agree to this solution, and the matter became deadlocked. Meanwhile a report of Sir Valentine Chirol, Director of the Foreign Department of The Times (London), who visited Japan in the spring of 1909, modified public opinion on this question in England, and China abandoned the scheme.

The Antung-Mukden Railway controversy took place in 1909, when the South Manchuria Railway Company commenced, in January, to convert the narrow-gauge line to one of standard gauge, the right to do which was given to Japan by the protocol appended to the Peking Treaty of 1905. After several months' negotiation, Japan was still unable to secure a modification from the Chinese, and finally she sent

to China, on August 6, 1909, an ultimatum, announcing independent action in carrying out the work of reconstruction according to what the Japanese Government conceived to be its treaty rights.

Another question which for several years caused controversy between Japan and China concerned the Korean boundary, involving the Chientao district lying on the north or right bank of the Tumen river. The possession of this district, covering an area of some 1,550 square miles, with a population of 82,999 Koreans and 27,371 Chinese in 1909, was a pending question for many years. In the years 1885 and 1887, respectively, "Boundary Commissions" were despatched to the district by the Korean and Chinese Governments, with a view to solving the frontier problem, but they failed to fulfil their mission. As time went on, maltreatment of Koreans by the Chinese authorities became acute. Furthermore, the Koreans were always exposed to attacks from Manchurian bandits. These Koreans in Chientao constantly asked their Home Government for protection. Following the establishment of the Japanese Protectorate in Korea, the Japanese Government entered into negotiations with the Chinese Government.

These controversial questions became more and more acute, with unpleasant effects upon Sino-Japanese relations. The two Governments, recognizing the vital importance of maintaining permanent peace in the Far East, finally came to an understanding, and a memorandum relating to the Antung-Mukden Railway was signed on August 19, 1909, by which China recognized Japan's right to reconstruct the Antung-Mukden Railway, substituting the standard gauge. A few days later, two conventions were concluded, on September 4. One of these was called the "Convention relating to Manchuria," and the other the "Convention relating to Chientao."

By the first convention, China engaged previously to consult Japan in the proposition to build the Hsimintun-Fakumen Railway. The other pending questions, such as a branch line of the South Manchuria Railway from Tashihchiao to Yingkou, Mukden station, and the coal mines of Fushun, Yentai, etc. were settled satisfactorily to both Governments. By the convention relating to Chientao, Japan waived Korea's long-standing claim to Chientao district and recognized China's territorial sovereignty in this region. Through this convention, Japan caused China to open four towns in Chientao to international trade and residence, which was another evidence of Japan's faithfulness to the principle of the "Open Door" in Manchuria. Japan also took the initiative in withdrawing her extraterritorial jurisdiction in China by

recognizing Chinese law and jurisdiction over the Koreans residing within this district.

23 Treaties and Notes of 1915

By virtue of the Anglo-Japanese Alliance, Japan was promptly brought into the Great War. On August 15, 1914, she advised Germany to surrender Tsingtao, for eventual restoration to China, and, when the ultimatum expired on the 23rd, without any response from Germany, war was declared. After two months' operations, Tsingtao was surrendered on November 7th. The Japanese Navy continued to police the Pacific and Indian Oceans, and the Mediterranean Sea; convoyed Australian troopships to Egypt, and assisted in driving von Scheer's German squadron down the Chilean coast. Soon after the surrender of Tsingtao to Japan, China demanded the withdrawal of the Japanese Army from the German railway between Tsingtao and Tsinan, the capital of Shantung. Japan refused to leave until after the European war was over, and the disposition of the German rights had been settled by a treaty of peace. When China independently proclaimed the revocation of the war zone on January 7, 1915, general disappointment was aroused in Japan as China's attitude was contrary to the popular expectation of Chinese appreciation. Japan, however, in order "to adjust matters to meet the new situation created by the War between Japan and Germany, to define Japan's special position in Manchuria and Inner Mongolia, and adjust other pending questions," had determined to approach China with a view to concluding treaties on specific demands. The demands were divided into five groups. Group I concerned the Shantung settlement; Group II dealt with the recognition of Japan's special interests and position in South Manchuria and Eastern Inner Mongolia; Group III was directed to safeguarding Japan's interest in the Han Yehping Company; Group IV was to emphasize China's territorial integrity; Group V represented certain wishes of Japan respecting Japanese advisers employed by the Chinese Central and Local Governments.

The negotiation of these demands commenced on January 18, at Peking, and two treaties relating to the first and second groups were signed on May 25. By the treaty and notes exchanged respecting South Manchuria and Eastern Inner Mongolia, the Chinese Government recognized the following items:—

1. The extension of the term of lease of Port Arthur and Dairen

and the terms of the South Manchuria Railway and the Antung-Mukden Railway to 99 years.

2. Permission for Japanese subjects to lease lands and to enter, travel, and reside in South Manchuria for trade, manufacture, and agriculture.

3. The opening of more towns in Eastern Inner Mongolia for international trade.

4. Recognition of joint enterprises of Japanese and Chinese in agricultural and auxiliary industries in Eastern Inner Mongolia.

5. To call first on Japanese capital, if China should propose to build railways in Manchuria and Eastern Inner Mongolia through foreign loans or to raise foreign loans by mortgage of the taxes in these regions.

6. Opening of nine mining districts in Manchuria to Japanese enterprise.

7. Preference given to Japanese in case China should employ foreign advisers or instructors on political, financial, military, and police matters in South Manchuria.

8. China's promise to revise the Kirin-Changchun Railway Agreement according to the most favoured agreements concluded or to be concluded with other nationals.

With regard to the extension of the leaseholds in Manchuria, it was natural that Japan should claim the term of 99 years which was granted by China to most of the foreign leaseholders. It was still more natural that Japan should ask China for an extension of the term of her railways in South Manchuria, so long as the term of the Chinese Eastern Railway of Russia remained at eighty years.

24 Japanese Loans to China

Before the European war, China had been financed largely by British, and some German, French, and American capital. After the outbreak of the war, China was in serious need of funds, and Japan and the United States were the only countries which could furnish capital. During the ministry of Count Terauchi, 1916–18, quite large sums were loaned to China principally through the three Japanese chartered banks, amounting in gross to 177,000,000 yen as shown by the following table:—

	Purpose of Loan	Date of Contract	Amount
1.	Bank of Communications Readjustment...	Sept. 28, 1917.	¥ 20,000,000
2.	Chihli Province Flood Relief	Nov. 22, 1917.	5,000,000
3.	Telegraph Administration Improvement...	Apr. 30, 1918.	20,000,000
4.	Kirin-Huining Railway	June 18, 1918.	10,000,000
5.	Kirin and Amur Provinces Forest and Mining	Aug. 2, 1918.	30,000,000
6.	Four Railways Loan in Manchuria and Mongolia	Sept. 28, 1918.	20,000,000
7.	Shantung Railway	„ „ „	20,000,000
8.	Arms and Ammunition	„ „ „	32,000,000
9.	War Participation	„ „ „	20,000,000
	Total		177,000,000*

Out of these loans, several of them were designated to be spent in Manchuria and Eastern Inner Mongolia.

25 Railway Loan Agreements

Of the above-mentioned loans by Japan to the Chinese Government during 1917–18, two were furnished for the construction of railways in Manchuria and Inner Mongolia.

At the time of the establishment of the Republic, the Government at Peking under President Yuan Shih-kai was anxious to obtain recognition of the new Republic from the foreign Powers, and also realised the national financial incapacity. This caused China, during 1912–1914, to conclude railway loan agreements with Belgium, Germany, England, Japan, and the United States. On October 5, 1913, the Chinese made an agreement relating to a plan of co-operation with Japan with particular reference to the loans for constructing five railways in Manchuria and Inner Mongolia, by an exchange of notes. China agreed to a loan from Japanese capitalists for the construction of the following railways:

a. Ssupingkai to Taonanfu, with a branch line to Paiyintala.

b. Kaiyuan to Hailungcheng.

c. Changchun to Taonanfu.

China further agreed that if in the building of the following two lines foreign capital should be needed, negotiations should first be entered into with Japanese capitalists:

d. Taonanfu to Jehol.

e. Kirin to Hailungcheng.

In connection with the five railways loan agreement made in 1913,

* These loans are outstanding with the exception of the Chihli Province Flood Relief Loan.

construction work on the line from Ssupingkai, via Chengchiatun, to Taonanfu was started in April, 1917, by the Chinese Government with funds furnished by the South Manchuria Railway Company and a loan floated by the Yokohama Specie Bank, to which Americans and Europeans were also subscribers.

By an agreement relating to railway loans in Manchuria and Inner Mongolia, signed on September 28, 1918, the funds of the following four railways were to be furnished by a syndicate of three Japanese chartered banks:

a. From Kirin to Kaiyuan via Hailungcheng ..... 230 miles
b. From Changchun to Taonan ..... 180 „
c. From Taonan to Jehol..... 470 „
d. From a point on the Taonan-Jehol Railway to a seaport 220 „

The priority right for furnishing loans to the Kirin-Hailungcheng line and the Taonan-Jehol line provided for in the exchange of notes of 1913, was decided definitely in favour of Japanese capital according to the agreement of 1918. By this agreement the Taonan-Jehol line was to be extended to a seaport. These lines, totaling over one thousand miles, were to cost more than 75,000,000 yen, of which the Japanese syndicate advanced 20,000,000 yen.

By another railway loan agreement, signed on June 18, 1918, the Kirin-Huining line was to be constructed with funds furnished by a syndicate of three Japanese chartered banks. An advance of 10,000,000 yen was made when this agreement was signed. This line was to connect the Kirin-Changchun railway with the Korean Government railway at Huining, or Kainei, on the Japan Sea coast of Korea.

26 Ishii-Lansing Agreement

The special interests of Japan in Manchuria were recognized by France, Russia, and Great Britain during the years 1907 and 1911 in their respective conventions and treaties with Japan. Shortly after the United States entered into the European war, the Japanese Government, in the summer of 1917, sent a special mission, headed by Viscount Ishii, formerly Minister for Foreign Affairs, to congratulate the United States on her decision to enter the war and to make some arrangement for co-operation between the two countries. One of the most significant events of this visit was the exchange of notes with Secretary Lansing. By these notes the "Government of the United States recognizes that Japan has spècial interests in China, particularly in the

part to which her possessions are contiguous." "The part to which her possessions are contiguous" undoubtedly referred to Manchuria, to which Korea is contiguous. The two Powers also pledged themselves to observe the principles of the independence and territorial integrity of China and the "Open Door," as Japan had done with France, Great Britain, and Russia by their respective conventions. This exchange of notes removed certain misunderstandings which had existed between the two Powers, and paved the way to the gradual development of mutual co-operation in commerce and industry in the Far East. Several months later, another mission, called the Finance and Economic Commission, was sent to the United States. The chief commissioner, Baron Megata, suggested the joint co-operation of America and Japan in the commerce of the Far East, particularly in China. The Ishii-Lansing Agreement and the Anglo-Japanese Alliance Agreement, however, were revoked soon after the Washington Conference.

27 Versailles Treaty

The world war was ended by the Armistice Treaty signed on November 11, 1918. On January 18, 1919, the delegates of the Allied and Associated Powers assembled at Versailles to formulate the terms of peace which would be offered to Germany and her Allies. Among many other desiderata, China sought the abrogation of the Japanese treaties of 1915, so far as these concerned Manchuria, restoration of the leased territories, restoration of foreign concessions and settlements, abrogation of foreign spheres of influence, withdrawal of all foreign troops and police, etc. These Chinese claims seemed to have small direct concern with the purpose of the Conference, which was to formulate the terms of a treaty of peace with Germany, and they were, therefore, not taken into serious consideration.

28 Consortium

On October 15, 1920, the new Consortium Agreements, to finance China, were signed by the banking group representing France, Great Britain, Japan, and the United States. Historically speaking, the first consortium initiated by Mr. Willard Straight, representing certain American banking interests, was organized on April 15, 1911, when various banks of France, Germany, Great Britain and the United States were to provide China with funds to the amount of £10,000,000 for the reform of China's

currency and for undertaking certain industrial enterprises in Manchuria, by means of a loan agreement. This agreement was kept secret until its text prematurely appeared in the Peking and Tientsin Times. Article XVI, providing for the priority of this consortium in case foreign capital should be invited "to participate with Chinese interest in Manchurian business under this loan or to be undertaken in connection therewith," caused much popular ill-feeling in Russia and Japan. This article, it was explained, was not to be construed as being inimical to the special interests of Japan and Russia. This agreement, however, was never carried into effect, owing to the fall of the Manchu Dynasty. When the Inter-Bank Conference was held in June, 1912, in Paris, Japanese and Russian banks joined the Four Powers' Consortium, but with the reservation that the Japanese and Russian groups would withdraw from the agreement if the proposed business should appear to prejudice their interests in Manchuria and Mongolia. From this Six Powers' Consortium, the American group withdrew in 1913. With the outbreak of the European War, the German Group was forced to withdraw. On October 8, 1918, the United States Government, recognizing "the change in our international relations, both diplomatic and commercial, brought about by the war," proposed to Great Britain, France, and Japan the formation of a new consortium to render assistance to China. While these Governments were exchanging notes on the consortium matter, the bankers of the four Powers involved met in Paris to discuss terms. Mr. Thomas W. Lamont, of J. P. Morgan & Co., who was in Paris as financial adviser to the American delegation to the Peace Conference, took a leading part in the bankers' conference as representative of the American group. In May, 1919, the conference drafted a preliminary agreement. Japan was quite ready to agree to the American plan, but proposed that "all rights and options held by Japan in the regions of Manchuria and Mongolia where Japan had special interest," should be excluded from the scope of the consortium, maintaining that "this is based on the very special relations which Japan enjoys geographically and historically with the regions referred to, and which have been recognized by France, Great Britain, the United States, and Russia on various occasions." The United States and Great Britain opposed the Japanese reservation regarding Manchuria and Mongolia. After protracted negotiations, Mr. Lamont, with the approval of his Government, went to Tokyo, where a compromise was reached which was accepted by all the Powers involved. Based on this compromise, Notes were exchanged between the representatives of the Japanese and

American groups on May 11, 1920. The main items are as follows:—

1. That the South Manchuria Railway and its present branches, together with the mines which are subsidiary to the railway, do not come within the scope of the Consortium;

2. That the projected Taonanfu-Jehol Railway and the projected railway connecting a point on the Taonanfu-Jehol Railway with a seaport are to be included within the terms of the Consortium Agreement;

3. That the Kirin-Huining, the Chengchiatun-Taonanfu, the Changchun-Taonanfu, the Kaiyuan-Kirin (via Hailung), the Kirin-Changchun, the Sinminfu-Mukden, and the Ssupingkai-Chengchiatun Railways are outside the scope of the joint activities of the Consortium.

29 Washington Conference

The Washington Conference was in session from November 12, 1921, to February 6, 1922. The conference dealt with questions of armament and the Far East, and the Chinese, again, as at the Peace Conference, strongly demanded *inter alia* the withdrawal of foreign troops, annulment of foreign leaseholds, and the cancellation of the treaties and notes of 1915 concluded or exchanged with Japan. On November 29, Mr. Alfred Sze, a Chinese delegate, demanded in the committee on Pacific and Far Eastern questions that all unauthorized foreign troops, police and foreign telegraph and wireless systems should be withdrawn from Chinese soil. Mr. Hanihara, a Japanese delegate, replied clearly by stating that while Japan was willing to withdraw her troops from China proper as soon as conditions warranted, it was impossible for Japan "to forego the right, or rather duty, of maintaining railway guards in Manchuria, whose presence is duly recognized by treaty." At the meeting on December 3rd of the same committee, Mr. Koo, a Chinese delegate, demanded the annulment and termination of the foreign leaseholds, referring specially to the Japanese leaseholds in Manchuria and Kwantung Province, including Port Arthur and Dairen. To this Mr. Hanihara promptly answered that "Japan has no intention at present to relinquish the important rights of the leaseholds which she has acquired lawfully and at no small sacrifice."

At the meeting on December 14, Mr. C. H. Wang, another Chinese delegate, urged that "the Treaties and Exchange of Notes of 1915" be "reconsidered and cancelled." To this Mr. Hanihara responded that if there be "a question of the validity of the Treaty or Agreements of 1915, or the change or abrogation thereof," he

believed that "this question was one to be taken up between Japan and China, if it were to be taken up at all, and not at this conference." At the meeting on February 2, before this question was brought up, Baron Shidehara, a Japanese delegate, made a statement in the form of a declaration. The statement observed, with regard to the procedure of the Chinese delegation on this question, that the Japanese delegation, while appreciating the difficult position of the Chinese delegation, did not feel at liberty to concur in the procedure taken by China "with a view to cancellation of an international engagement which she entered into as a free sovereign nation." It also stated that "if it should once be recognized that rights solemnly granted by treaty may be revoked at any time on the ground that they were conceded against the spontaneous will of the grantor, an exceedingly dangerous precedent will be established, with far-reaching consequences upon the stability of the existing international relations in Asia, in Europe, and everywhere."

This statement further remarked that as changes had taken place in the situation since the conclusion of the Sino-Japanese Treaties and Notes of 1915, the Japanese Delegation made the following declarations so far as Manchuria was concerned:

1. "Japan is ready to throw open to the joint activity of the International Financial Consortium recently organized, the right of option granted exclusively in favor of Japanese capital, with regard, first, to loans for the construction of railways in South Manchuria and Eastern Inner Mongolia, and, second, to loans to be secured on taxes in that region." But it is understood that this declaration by no means affects the understanding arrived at by the exchange of notes in connection with the Consortium Agreement of 1920.

2. "Japan has no intention of insisting on her preferential right under the Sino-Japanese arrangements in questions concerning the engagement by China of Japanese advisers or instructors in political, financial, military or police matters in South Manchuria."

Baron Shidehara concluded the statement by saying that "in coming to this decision," "Japan has been guided by a spirit of fairness and moderation, having always in view China's sovereign rights and the principle of equal opportunity."

30 Construction of Railways for Chinese

With the view to developing agriculture and industry in the vast

arable area of Eastern Inner Mongolia contiguous to Manchuria and to developing the lumber industry in the wooded areas of Kirin Province, the Communications Committee of the Government of the Three Eastern Provinces contemplated the building of additional railways. Subsequently the Government determined to established more effective communication between the capitals of the three provinces. A contract to construct the Taonan-Angangchi Railway, covering a distance of 143 miles, in order to connect with Tsitsihar, the capital of the Amur province, across the Chinese Eastern Railway at Angangchi, and to connect with the South Manchuria Railway line at Ssupingkai, through the Taonan-Ssupingkai railway, was given to the South Manchuria Railway Co. The construction work was commenced in June, 1925, and completed in July, 1926. It was provided that if the Chinese Government should fail to pay the expense of construction within one year after the completion of the construction work, the amount involved should be converted into a railway loan. Another line constructed under contract with the South Manchuria Railway Co. is the Kirin-Tunhua line, covering 130.4 miles, a part of the Kirin-Huining line of 260 miles, which is to be connected with the Korean railway at Huining. As already stated, the whole construction fund for building the Kirin-Huining line, according to preliminary agreement, should have been furnished by three chartered banks of Japan, and 10,000,000 yen was advanced to the Chinese Government at interest of $7\frac{1}{2}$ per cent. Owing to political turmoil and frequent changes of government in China, the construction of this railway has not yet been carried out. Meanwhile, a light railway of 2 feet 6 inch gauge, running 69 miles between Huining, on the Korean side, and Tienpaoshan, was promoted by a joint undertaking of the Chinese Government and Japanese private individuals, and its construction was completed in 1924. By an agreement signed on December 24, 1926, the Kirin-Tunhua line, running 130 miles west of Kirin towards Korea was built for China by the South Manchuria Railway Co. as the contractor at a cost of 24,000,000 yen. Construction was started in June, 1926, and was completed in October, 1928. As in the case of the Taonan-Angangchi Railway, it has been agreed that if the cost of this railway should not be paid within one year after the completion of construction, the amount shall be converted into a railway loan. Of the Kirin-Kainei (Huining) Railway of 260 miles, the 130 miles of the Kirin-Tunhua line and the 69 miles of light railway from the Korean side to Tienpaoshan have thus been completed, and about 60 miles separate the two railheads.

31 Japanese Investments in Manchuria

Japanese investments in Manchuria and Eastern Inner Mongolia, particularly since the establishment of the South Manchuria Railway Company, have been immensely increased, and aggregated over 1,563,000,000 yen outstanding on March 31, 1928. The table below gives details of capital investments.

If the Government property owned by the Kwantung Government and the Japanese Army, the annual grant from the home Government for the last 21 years, private property owned by Japanese residents in Manchuria, etc. — aggregating in all 443,688,000 yen — be added, the total investment of Japan in Manchuria to-day amounts to 2,006,800,000 yen.

JAPANESE INVESTMENT IN MANCHURIA

(December 31st, 1927)

Investors	Items of Investment		Amount
South Manchuria Railway Company	Direct Undertakings	Railways	248,277,556
		Harbours and Wharves	59,789,109
		Vessels in Harbour service	4,044,933
		Coal Mines	102,730,711
		Iron Works	20,747,607
		Sanitation	14,550,686
		Education	13,489,848
		Municipal Undertakings	134,979,952
		Others	46,231,332
		Total	644,841,734
	Securities of affiliated companies and public bonds		55,287,181
	Loans to Chinese Railways and for Encouraging Industries		59,452,855
	Cash Advanced for Contract Construction of Chinese Railways, Deposits, Uncollected Credits, etc.		150,528,206
Japanese Government	Loans to Chinese Government		98,730,823
Japanese Corporations	Loans to Chinese Government and Individuals		20,282,080
Japanese Corporations	Capital Funds invested by Corporations		439,003,410
Japanese Individuals	Capital Funds invested by Individuals		94,991,560
	Total		554,277,050
Grand Total			1,563,117,849

32 Manchuria Today

The foregoing sections provide a brief historical survey of Manchuria; of the Russian advent and the subsequent Japanese succession in this region. It has been made clear there can be no question as to the enjoyment by China of sovereign rights and by all nations of equal opportunity, in Manchuria. In their political and economic aspects, particularly relating to the railway system, China, Japan, and Russia today stand in Manchuria in a sort of triangular relationship.

There were about 3,400 miles of railways in operation, or soon to be in operation, as they existed in 1928. Of this total, China owned over 1,500 miles, Japan about 700 miles, Russia (in joint management with China) about 1,070 miles, and Sino-Japanese joint undertakings aggregated 146 miles. Although the Chinese railways aggregated a greater mileage than Japanese or Russian lines, most of them were financed by foreign, especially Japanese, capital, as shown in the following table:—

Name of Railway	Distance in miles	Gauge	Remarks
Chinese Eastern Railway & Branches	1,069	5′	Sino-Russian management, with Russian and French capital.
South Manchuria Railway & Branches	695	4′8½″	Japanese undertaking.
Manchurian section of Peking-Mukden Railway & Branches in Manchuria	466	do.	Chinese Government Line, partly British capital.
Ssupingkai-Taonan Railway with branch line to Paiyintala	265	do.	Chinese Government Line, with Japanese capital.
Taonan-Anganchi Railway	142	do.	do.
Kirin-Changchun Railway	79	do.	Chinese Government Line, with Japanese capital, under Japanese management.
Kirin-Tunhua Railway	130	do.	Chinese Government Line, with Japanese capital.
Mukden-Hailungcheng Railway	147	do.	Chinese Semi-Government Line (Mukden Province).
Takushan-Paiyintala Railway	125	do.	Chinese Semi-Government Line (Mukden Province).
Hulan-Hailun Railway	70	do.	Chinese Semi-Government Line (Amur Province).
Tsitsihar-Anganchi Railway	18	1 metre	Chinese Semi-Government Line (Amur Province).
Shaochengtzu-Muling Colliery Line	37	5′	Muling Colliery Co. (Sino-Russian management).
Nuerho-Tayaokou Colliery Line	18	4′8½″	Tungyu Colliery Co. (Chinese enterprise).
Kaiyuan-Hsifeng Railway	40	1 metre	Chinese private enterprise.

Camel Traffic in the North Manchuria — Mongolia Region.

The Famous One-Wheel Cart utilizing the Sail.

Country Folk enjoy an Outing.

Passenger Train of the Peking-Mukden Line.

Passenger Train of the Chinese Eastern Railway.

Express Train of the South Manchuria Railway.

Chinchou-Pitzuwo Railway ...	63	4′8½″	Sino-Japanese undertaking.
Penhsihu-Niuhsintai Line	14	2′6″	Sino-Japanese undertaking.
Tumen-Tienpaoshan Railway...	69	do.	Sino-Japanese undertaking.
Total miles.....	3,447		

Of the 1,500 miles of Chinese railways, over 695 miles were built with Japanese capital, and the 466 miles of the Peking-Mukden line, with branch lines in the Manchurian section, partly with British capital. Those lines built with Chinese capital cover only 418 miles, and are five in number: Takushan-Paiyintala, 125 miles; Mukden-Hailung, 147; and Hulan-Hailun, 70 miles, are significant ones.

By means of the Chinese Eastern Railway, traversing North Manchuria from west to east, the Japanese line traversing South Manchuria from north to south connecting with the Chinese Eastern line in the north; and another Japanese line traversing Manchuria from the Korean frontier to Mukden, where it connects with Mukden-Peking line, the economic development in Manchuria achieved a record with the passing years. It has been well said that a railway brings prosperity and civilization. This is particularly true in the case of Manchuria. More than two generations ago the Russians opened portions of Manchuria, but it may be said to have been the Japanese who have made it a land of opportunity for the world. It is the Japanese and Russian example that has stimulated the Chinese to build railways with their own capital.

With the railway expansion as well as the advent of Japanese enterprise, entailing heavy investment of capital, many neglected areas in Manchuria were brought under cultivation. The arable land under cultivation, which amounted to 17,000,000 acres in 1907, was increased to 31,000,000 acres in 1927. The annual crop of the famous soya bean totaled only 700,000 tons in 1907; it was 5,873,000 tons in 1927. The total output of agricultural products for 1927 was estimated at 20,000,000 tons, of which beans represented 5,873,000 tons, kaoliang 5,351,000 tons, millet 3,793,000 tons, corn 2,099,000 tons, and wheat 1,285,000 tons. The aggregate export of beans, beancake and bean oil for the same year amounted to 4,407,559 tons, of the enormous value of 215,857,246 taels. Japan, being the heaviest purchaser of this product, took 46%, China proper 20%, and Europe 30%. The trade of the three provinces was valued at 52,000,000 taels in 1907; it had increased to 679,900,000 taels in 1927. Of this total trade, Japan represented 38.78 per cent., China 30.15 per cent., Russia 13.10 per cent., England 2.65 per cent., and the United States 4.44 per cent. The remarkable

increase of the Japanese trade does not in any way prejudice the trade of England, the United States, and other nations. On the contrary, their trade is increasing, due partly to greater purchases of American and European machinery, etc., by the South Manchuria Railway Company, and other Japanese companies. The Chinese Government railways also purchased rails and rolling stock from America and Europe.

The enormous increase of Japanese trade is due not only to mere geographical propinquity, but to her vital needs for food and the raw materials of industry. Manchurian beans, used in the manufacture of Japanese foodstuffs (soya sauce, tofu, etc.) and beancake for fertilizer for the rice fields, have been assisting largely in solving the food problem caused by Japan's ever-increasing population. Korea last year purchased 5,721,161 piculs of Manchurian millet, valued at 28,503,035 Hk. Tls. as a substitute for the rice which Korea exported to Japan. Thus Manchurian millet, also, is assisting indirectly in solving the increasing demand for food in Japan.

In the remarkable development of agriculture, industry, and trade in Manchuria, aided chiefly by the steady progress of railways, with heavy investments of foreign, especially Japanese, capital, the Chinese themselves are the main beneficiaries. In her foreign trade, Manchuria has in most years enjoyed an excess of exports over imports. This favourable balance amounted to 140,000,000 taels in 1927. That is to say, the Manchurian farmers sell more than they buy.

The net profit of the South Manchuria Railway Company for 1927 was 36,274,320 yen, and the aggregate amount of wages paid by the Company for the year was 26,450,000 yen, of which 75 per cent. went to the Chinese employees and coolie day-workers. The Company has invested over 162,000,000 yen in welfare enterprises chiefly in the Railway Zone, and spends each year more than 13,000,000 yen on education, sanitation, water works, public roads, and other public works in the Railway Zones, the population of which is 300,000, of whom 70 per cent. are Chinese. While chaos and misery rule in many areas in war-ridden China, Manchuria is the only region in North China where peace and order are uniformly maintained. The people, harassed by warfare, banditry, kidnapping, official extortion, excessive taxation, and famine, have naturally hastened to seek the benefits of peace and the opportunity for obtaining better living conditions which Manchuria offers. Shantung province, where the Washington Conference expected great prosperity to prevail after its restoration to Chinese rule, has experienced a great mass migration of its inhabitants, constituting possibly

a movement of population unique in human history. These emigrants poured into Manchuria during the year 1927, the total being estimated at over one million souls, including hosts from Shantung, Chihli, and other northern provinces. To those who passed through Dairen, every possible assistance was given by the South Manchuria Railway Company and by the Dairen Steamship Co. in co-operation with Chinese charitable societies.

When Grand Marshal Chang Tso-lin established his military Government at Peking in June, 1927, while still holding the Governor-Generalship of the Autonomous Three Eastern Provinces, he seemed to act as the *de facto* ruler of the Republic in North China as well as of Manchuria. As far as the railways in Manchuria are concerned, the Chinese Eastern Railway under Sino-Soviet management, with Chinese military guards, operated since October, 1924 without serious disturbances; the Peking-Mukden Railway operated uninterruptedly after the withdrawal of the army of Marshal Feng Yu-hsiang from Tientsin and Peking in April, 1926; and the South Manchuria Railway is operating most efficiently, but with military guards. In Manchuria as a whole, peace and order have been maintained fairly well during these troubled years, and there has been no serious disturbance. But China proper remained in a state of turmoil. What will happen to-morrow, in Peking or Nanking, or wherever the centre of government may be, and what effect it will have in Manchuria, no one is able to predict.

Soon after Baron Tanaka, President of the Seiyu-kai, or Constitutional Party, organized his Cabinet, the Premier, in his capacity of Minister of State for Foreign Affairs, summoned in August, 1927 the Japanese Minister at Peking and Consuls in China for a conference on the Chinese situation. At the close of this conference the Premier summarized Japan's China policy in the following terms:

1) The Japanese Government thinks it would be unwise to interfere "in the Chinese civil war or in the domestic political quarrels of China."

2) The Japanese Government will "co-operate with other Powers to meet the reasonable demands advanced by such of the Chinese people as entertain moderate ideas as regards China's rehabilitation."

3) If a strong central government be organized "by the coalition of the Northerners and Southerners, or by factions of certain local origin," Japan will support it with the other Powers, "whether it be located in the North or the South."

4) While Japan will rely upon China's own efforts to control agitators and unruly elements actively engaged in causing trouble, she may, if Japanese lives and property in China be endangered, be forced to take necessary measures for their protection.

5) "Peace and order in Manchuria and Mongolia have a vital bearing upon Japan's national existence and national defence. The Japanese Government, therefore, feels itself responsible for the maintenance of peace and order in these regions, not only in view of Japan's special position there, but also in the interest of China herself."

Thus Baron Tanaka's statement clearly expressed Japan's policy of rendering all possible assistance to China to organize a solid central Government and to promote the national rehabilitation in co-operation with other Powers. Regarding Manchuria and Mongolia, in which Japan has invested so heavily, whence she obtains raw material and foodstuffs, and where the maintenance of peace and order is essential for her national defence, the statement declares that the Japanese Government feels itself responsible for the maintenance of peace in these regions. The civil war again became acute in May, 1928. When the fighting between the Northern and the Southern armies, the latter an alliance of the forces of General Chiang Kai-shek, Marshal Feng Yu-hsiang, and General Yen Hsi-shan was developing in the direction of Peking and Tientsin, the Japanese Government through its Minister and Consul handed to the belligerent parties a warning memorandum (May 18). The memorandum stated in part that "should the disturbances develop further in the direction of Peking and Tientsin and the situation become so menacing as to threaten the peace and order of Manchuria, the Japanese Government, on its part, may possibly be constrained to take appropriate and effective steps for preserving peace and order in Manchuria." The reason for this warning lay in the fact that Japan, as far as possible, desired to prevent Manchuria being involved in the civil war.

III LEASED TERRITORY AND RAILWAY ZONE

33 General Remarks

The area under Japanese jurisdiction in Manchuria is limited to 1,300 square miles of territory known as the Kwantung Province or Liaotung Peninsula, including Port Arthur and the Port of Dairen, and to 100 square miles of railway zone belonging to the South Manchuria Railway Company. The total area under Japanese control amounting to 1,400 square miles, thus represents but a fraction of Manchuria, to be precise, the 273rd part of the whole area.

The territory at the southern extremity of the Liaotung was originally leased to Russia, on March 27, 1898, for 25 years, subject to extension by mutual agreement; but by the Treaty of Portsmouth, 1905, the lease was transferred to Japan, which was subsequently affirmed by China, and in 1915 it was agreed that the lease should be extended to 99 years from the date of the original lease of the territory. That is to say, the term of this lease will expire in 1997. The terms of the South Manchuria Railway Company's line from Dairen to Changchun, and of the Antung-Mukden Railway, were also extended to 99 years from the original date of lease, and the respective Railway Zones will remain under Japanese control until the years 2002 and 2007. The area and population in the Leased Territory and the Railway Zone, according to statistics compiled by the Kwantung Government, are given in the table below as of August 31, 1927.

		Population				
	Area	Japanese	Korean	Chinese	Others	Total
Leased Territory...	1,300 sq. m.	97,002	1,169	706,975	498	805,644
Railway Zone	100 „ „	88,197	11,278	202,158	1,687	303,320
Total.....	1,400 „ „	185,199	12,447	909,132	2,185	1,108,964
Total Population in 1907 ...		37,885	—	396,067	77	434,029

During the past twenty-one years the Chinese population has increased immensely, especially in the Railway Zone, where the Chinese numbered only 8,902 in 1907. Indeed the Chinese population in the Leased Territory and Railway Zone to-day has increased to more than 82 per cent. of the total population of 1,108,000. It may be noted that the

area under Japanese jurisdiction contains over 790 people per square mile, while the average population per square mile in Manchuria is 72. It should be remembered that about 55,000 Japanese and 756,000 Koreans reside outside the Leased Territory and Railway Zone. In Manchuria as a whole, there are today about 240,000 Japanese and 768,000 Koreans.

34 Kwantung Government

By Imperial Ordinance No. 196, promulgated on July 30, 1906, the Kanto Totoku-fu (Government-General of Kwantung Province) was established. The military administration of the Kwantung Peninsula conducted by the Japanese Army following its occupation during and after the Russo-Japanese war was replaced by a civil administration under the Governor-General, who was a direct appointee of H. M. the Emperor and who originally was to be a general or lieutenant-general of the Japanese Army. By this organic regulation, the Governor-General not only controlled civil and judicial administration in the Leased Territory of the Kwantung Peninsula, but for the maintenance of peace and order in the Leased Territory and in the Railway Zone in South Manchuria, he was invested with military power, commanding the Japanese garrison and the railway guards. In addition, the Governor-General had to protect the Japanese railways in Manchuria and to supervise the administration of the South Manchuria Railway. By virtue of a special commission he was charged with the conduct of negotiations with the Chinese local authorities. As to political matters, he was subject to the supervision of the Minister of State for Foreign Affairs in Tokyo, and the Minister of State for War with reference to military matters. His government had two departments — those of Civil Administration and the Army Corps. The former conducted all administrative affairs, except military matters, namely, general affairs, police, finance, public works, and prisons, all of which were under the control of the Chief of Civil Administration, who was subordinate to the Governor-General. In addition, a bureau of posts and telegraphs was established in the department of Civil Administration.

In the matter of local administration, Kwantung Peninsula was divided into three administrative districts, which were later reduced to two. The head of each district executes therein the laws and ordinances, and discharges his administrative functions under the direction of the Governor-General. In the cities of Dairen and Port Arthur, self-governing municipalities have functioned since 1924. The self-govern-

ment principle is also adopted in the village administration, the head of which, Hui-chang, is a Chinese appointee.

With regard to the administration of justice, Japan decided not to recognize foreign jurisdiction, as in the case of the leased territories held by other Powers in China. By Imperial Ordinance No. 198, promulgated on July 31, 1906, the Totokufu-Hōin (Courts of Justice) were established under the direct control of the Governor-General to adjudicate in all civil and criminal cases, irrespective of nationality, in the peninsula. This was a two-trial system which was modified at a later date to the three-trial system in vogue in Japan.

During the European war, the need for the more effective maintenance of peace and order in Manchuria was keenly felt, and the Organic Regulations of the Government-General were modified by Imperial Ordinance No. 82, promulgated in July, 1917. The Governor-General had hitherto only supervised the business of the South Manchuria Railway, but it was now provided that he should directly control the Company and act as its President *ex officio*. Simultaneously, the Police Section was enlarged into a Police Bureau, and it was provided that the commander of Gendarmerie of the Army Corps should be the Bureau Chief *ex officio*.

Following the trend of world movements generally, especially after the Great War, Japan adopted a more liberal policy in her rule in the Kwantung Province and in the Railway Zone in Manchuria. By Imperial Ordinance No. 94, promulgated on April 12, 1919, the Organic Regulations of the Kanto-cho (Kwantung Government) superseded those of the Government-General. The Governor-General was replaced by the Kanto-chokan (Governor of the Kwantung), a civilian official. The Governor has jurisdiction over the Province, control of the policing of the railways in South Manchuria, and supervision of the business of the South Manchuria Railway Company. The military power possessed by the Governor-General was vested in the Commander-in-Chief of the Kwantung Army, a post then created. Formerly the Governor-General acted as *ex-officio* President of the South Manchuria Railway, but now the Governor only supervises the business of the Company. The Organic Regulations of the Government of Kwantung were again modified in 1924, in order to effect financial retrenchment by abolishing the office of Chief of the Civil Administration and other important subordinate offices.

Baron Gonsuke Hayashi, lately Ambassador to Great Britain, was the first civilian Governor of Kwantung. The present incumbent, Governor Kinoshita, was appointed in November, 1927, after the resignation of

Count Hideo Kodama, who occupied the office for several years.

The present organization of the Kwantung Government, with affiliated offices, is shown in the table below :—

Governor of Kwantung Government

- Governor's Secretariat
  - Private Secretaries' Section
  - Secretary's Section
  - Foreign Affairs Section
  - Board of Councillors
- Home Affairs Bureau
  - Local Administration Section
  - Education Section
  - Industrial Affairs Section
  - Civil Engineering Section
- Police Administration Bureau
  - Police Affairs Section
  - Peace Preservation Section
  - Sanitation Section
- Finance Department
  - Accounts Section
  - Finance Section
- Local Administration Offices
  - Branch Offices
  - Primary Schools
  - Schools for Natives
- Courts of Justice
  - High Court
    - Cassation Dept. (Court of Cassation)
    - Appeal Dept. (Appeal Court)
  - District Court
- Procurator's Office
  - Procurator's Office for Local Court
  - Procurator's Office for High Court
- Communications Bureau
  - Post Offices
    - Branch Post Offices
    - Telephone Sub-stations
    - Telegraph Sub-stations
  - Telephone Offices
  - Telegraph Agencies
- Prison
  - Branch Prisons
- Marine Bureau
  - Branch Marine Offices
- Port Arthur Engineering College
- Middle Schools
- Girls' High Schools
- Normal School (for Natives)
- Commercial Schools (for Natives)
- Agricultural Schools (for Natives)
- Police Training School
- Meteorological Observatory
  - Branch Observatory
- Government Hospitals
  - Port Arthur Hospital
  - Port Arthur Women's Hospital
  - Port Arthur Isolation Hospital
  - Dairen Women's Hospital
  - Dairen Isolation Hospital
- Agricultural Experimental Station
- Sericultural Experimental Station
- Stud Farm
- Stock Breeding Station
- Aquatic Products Experimental Station
- Exchanges (Produce, Currency, etc.)
- Museums
- Temporary Land Investigation Department

The Kwantung Government Office, Port Arthur.

The High Court of the Leased Territory, Port Arthur.

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35 Finance

The Government expenditure in the Kwantung Province from the time of the military occupation was defrayed out of the extraordinary war fund which was created during the war with Russia. After the Government-General of the Province was established, the annual expenditure (since 1907) was placed under a special account. The principle is that the Government expenditure be defrayed from the revenue derived from this province and, if any deficit should occur, it is to be met with a grant from the Imperial Treasury of the Home Government, with the object of gradually or ultimately placing the finance of the Kwantung Government on an independent footing. The following table shows the growth of annual expenditure and revenue for the last twenty-one years, together with the annual grant from the Home Treasury, amounting from two to four million yen each year:

	Revenue				
	Taxes and other Receipts in K.P.	Grant from Treasury	Surplus of preceding year transferred	Total	Expenditure
1907–8.....	1,273,472	3,000,000		4,273,472	3,451,487
1912–3.....	1,887,141	3,122,500	1,153,129	6,162,770	5,359,503
1917–8.....	3,645,827	2,007,000	2,072,397	7,725,224	4,612,985
1922–3.....	12,032,925	4,300,000	3,011,051	19,343,976	15,217,555
1927–8.....	13,760,290	4,000,000	4,441,316	22,201,606	16,985,029

In the budget of the Kwantung Government for the fiscal year 1928–9, the total revenue, including extraordinary revenue, was estimated at 20,674,610 yen. The revenue from taxes, direct and indirect, was estimated at about 3,389,000 yen only, in which the tax on the incomes of corporations, paid mostly by Japanese, amounted to over 1,778,000 yen, while the land tax amounted to 217,000 yen, 60 per cent. of which was paid by Chinese. The indirect taxes — on tobacco, liquor and salt — were estimated at from 300,000 yen to 600,000 yen each. The most important items of the revenue are the receipts from public undertakings and state properties, amounting to 9,297,000 yen, of which 6,000,000 yen are contributed by the postal, telegraphic and telephone services. The extraordinary revenues amount to 7,217,000 yen, of which 4,000,000 yen is furnished by the Imperial Treasury, 1,000,000 yen from a loan, and 1,781,000 yen from the surplus of the revenue transferred from the preceding fiscal year.

Of the expenditures for the same fiscal year, aggregating 20,942,254 yen, about 4,556,000 yen, it was estimated, would be spent on

communications services — posts, telegraphs, and telephones. The next important item of expenditure is the police service, amounting to 4,079,000 yen. Another important item is the cost of the educational service, amounting to 2,269,000 yen. The sum of 3,400,000 yen was allotted for Government buildings, communications improvements, etc. under the heading of expenses for public undertakings.

The following table shows the general features of the Budget of the Kwantung Government for the fiscal year 1928–9 :—

Revenue		Expenditure	
ORDINARY		ORDINARY	
Taxes:	Yen	Expenditures of the Kwantung Government	Yen 1,605,732
Land tax	217,220	Expenses of the Law Courts and Prisons	482,263
Salt tax	319,364	Police expenses	4,079,815
Income tax on Corporations	1,778,775	Education expenses	2,269,563
Business tax on Stock and Grain Exchanges	6,578	Expenses for encouraging Industrial Enterprises	305,113
Business tax	109,500	Expenses of Monopoly Bureau	966,618
Tax on Liquors	342,001	Communications expenses	4,556,416
Tax on Tobacco	615,591	Expenses of Marine Bureau	153,845
Revenue from public undertakings and State property:		Expenses of Hospitals	424,819
Receipts from Posts, Telegraphs, and Telephones	6,013,060	Ground and House Rents	161,170
Revenue from Monopolies	2,054,733	Expenses for the prevention of Infectious Diseases	35,159
Rents from Lands and Houses	1,088,536	Transferred to National Debt Consolidation Fund special account	174,686
Income from Prison Labour	52,984	Miscellaneous expenses	58,207
Income from Hospitals	88,115	Reserve funds	300,000
Stamp Receipts	444,217	Total	**15,573,406**
Miscellaneous Receipts	322,199		
Total	**13,452,873**		
EXTRAORDINARY		EXTRAORDINARY	
Proceeds from sale of State property	436,372	Expenses of public undertakings	3,466,382
National Treasury grant	4,000,000	Expenses for celebration of Imperial Enthronement	16,556
Surplus from the preceding year transferred	1,781,365	Extraordinary Police expense.	246,176
Proceeds of Loan	1,000,000	Subsidy for Local administration*	1,588,650
Total	**7,217,737**	Miscellaneous Receipts	51,440
		Total	**5,369,204**
Grand Total	**20,670,610**	Grand Total	**20,942,610**

* Regarding village administration, the revenue from local taxes, public properties and undertakings, licences, fees, etc., is applied to expenses of village offices, education, sanitation and other items of local administration. Any deficit incurred is made up with a subsidy from the General Account of the Kwantung Government.

36 Maintenance of Peace and Order

Mounted banditry in Manchuria and junk piracy on the coasts have been common since time immemorial. Their frequent occurrence even at the present day seems to indicate that it is beyond the ability of the Chinese authorities to eradicate the evil.

When Russia inaugurated the Chinese Eastern Railway in 1896, "the preservation of law and order" in the Railway Zone was "confided to the police agents appointed by the Company." This provision was applied to the Southern Manchuria Branch of the Chinese Eastern Railway, extending from Harbin to the seaports of Port Arthur and Dalny (Dairen), the concession of which was granted to Russia by China by the Convention of 1898. The convention gave Russia territorial leaseholds of the Kwantung Peninsula and the adjacent waters over which "the entire military command of the land and naval forces and equally the supreme civil administration" were concentrated in the hands of the Viceroy of the Far East. By the Treaty of Portsmouth, by which the leaseholds of the Kwantung Peninsula and the railway concession of the Southern Manchurian branch line from Changchun to Port Arthur were transferred to Japan, Japan and Russia reserved to themselves "the right to maintain the guards to protect their respective railway lines in Manchuria," not to exceed fifteen per kilometre. Furthermore, Japan, by an agreement annexed to the Treaty of Peking, of 1905, reserved the right to maintain her railway guards until "China shall have become herself capable of affording full protection of the lives and property of foreigners." For the maintaining of peace and order in the Leased Territory and the Railway Zone under Japanese rule, the Governor-General, as already stated, was charged with police administration and military matters; but since the Governor-General was replaced, in 1919, by the Governor of Kwantung, a civilian appointee, while the Governor retains police power, the military power has been wholly transferred to the Commander-in-Chief of the Kwantung Army.

At the Washington Conference, held in 1921–2, the Chinese Delegation strongly insisted upon the withdrawal of the foreign troops, but the retention of the Japanese troops along the South Manchuria Railway was defended by the Japanese Delegation which submitted the following statement:

"It is a measure of absolute necessity under the existing state of affairs in Manchuria — a region which has been made notorious by the

activity of mounted bandits. Even in the presence of Japanese troops, these bandits have made repeated attempts to raid the Railway Zone. In a large number of cases they have cut telegraph lines and committed other acts of ravage. Their lawless activity on an extended scale has, however, been effectively checked by Japanese railway guards, and general security has been maintained for civilian residents in and around the Railway Zone. The efficiency of such guards will be made all the more significant by a comparison of the conditions prevailing in the Railway Zone with those prevailing in the districts remote from the railway. The withdrawal of railway guards from the zone of the South Manchuria Railway will no doubt leave those districts at the mercy of bandits, and the same conditions of unrest will there prevail as in remote corners of Manchuria. In such a situation it is not possible for Japan to forego the right, or rather the duty, of maintaining railway guards in Manchuria, whose presence is duly recognized by Treaty."

When the Government-General was established in 1906, the police force numbered 931, of whom 250 were Chinese assistant policemen. It had been increased to 2,604, including 531 native assistants, at the end of the fiscal year 1927, ending on March 31, 1928.

With regard to the cost of police administration, about 500,000 yen was spent in 1906, but it was estimated that over 4,000,000 yen must be spent in the fiscal year 1928 (ending March 31, 1929). In addition, 246,176 yen were allotted for extraordinary expenses of the police administration.

For the maintenance of railway guards, the Japanese Army Department of the Home Government has spent 6,000,000 yen to 11,000,000 yen annually. In cases where peace and order in Manchuria have been threatened by civil war or other disturbance on a large scale, the Army authorities have incurred much additional expense.

Keeping peace and order in the Leased Territory and Railway Zone in Manchuria is, indeed, costly to Japan. Yet it can not be avoided, in Manchuria, in which Japan has invested heavily, and whence Japan obtains raw materials and foodstuffs. The maintenance of peace and order is also essential to effective national defence. It would have been most excellent had the Washington Conference had any beneficial moral effect upon conditions in Manchuria, but immediately after the conference civil war between the Kuomintang of the South and the Mukden party of the North broke out, and, as the world knows, has since intermittently continued. On each occasion of these outbreaks, more especially at the time of Kuo Sung-ling's revolt against Chang Tso-lin,

Manchurian Bandits of the Present-Day.

The Bandits in Manchuria become active when the Kaoliang is high.

Manchuria was in danger of becoming involved. The critical situation which developed in the spring of 1928 is fresh in memory. When the war was moving in the direction of Peking and Tientsin, and the situation became so menacing as to threaten the peace and order of Manchuria, the Japanese Government sent both belligerents a memorandum of warning which intimated that Japan would take appropriate steps to keep the belligerent armies out of Manchuria. As before stated what Japan wishes, as far as possible, is that Manchuria be not involved in civil war. It is a matter of simple fact that Manchuria, especially South Manchuria, is the only region in China where civilized people can live and trade with a guarantee of safety.

37 Communications

The Japanese communications system, post and telegraph, in South Manchuria was first established by the Japanese military authorities during the Russo-Japanese War. Soon after the establishment of the Government-General of Kwantung, the communications system was transferred to the Civil Administration Department of the Government-General by the Imperial Ordinance issued in July, 1906. The Communications Bureau was established in Dairen, the Chief of Bureau taking charge of affairs relating to posts, telegraphs, and telephones chiefly in the Leased Territory and Railway Zone under the instruction of his superiors.

38 Postal Services

Mails between Manchuria and Japan were originally carried by steamer twice a week, but this was increased to a daily service, by the land route, when the Antung-Mukden Railway was connected with the Government Railway of Korea in June, 1912. This was further increased to a service twice a day in August, 1918. Mail communication between South Manchuria and Europe was inaugurated in 1908, but was suspended for several years after September, 1918, owing to political disturbances in Russia.

The postal services conducted by the Communications Bureau outside the Railway Zone, in such districts as Hsinmintun, Kirin, and others, were transferred, in 1922, to the postal system of the Chinese Government as a result of the Washington Conference.

The progress made in postal matters in the Leased Territory and the Railway Zone under Japanese rule may be seen in the following tables:

Year	Ordinary Mails			Parcel Post		
	Mail Matter Dispatched	Mail Matter Received	Total	Parcels Dispatched	Parcels Received	Total
1906-7...	12,821,242	13,014,613	25,835,855	52,941	146,072	199,013
1911-2...	13,182,814	16,636,493	29,819,307	167,882	346,804	514,686
1916-7...	18,650,218	22,191,108	40,841,326	233,574	494,580	728,154
1921-2...	45,261,990	50,470,004	95,731,994	396,993	827,118	1,224,111
1926-7...	41,656,134	48,410,573	90,066,707	334,681	739,941	1,074,622
1927-8...	49,949,123	54,044,010	103,993,133	346,931	799,612	1,146,543

POSTAL MONEY ORDERS

Year	Money Orders Issued			Money Orders Paid		
	Domestic	Foreign	Total	Domestic	Foreign	Total
1906-7 ...	6,196,940	278	6,197,218	1,348,308	176	1,348,484
1911-2 ...	6,514,280	15,336	6,529,616	2,702,890	5,190	2,708,080
1916-7 ...	9,103,950	9,474	9,113,424	4,057,266	6,113	4,063,379
1921-2 ...	20,305,443	17,385	20,322,828	10,425,284	8,190	10,433,474
1926-7 ...	16,071,691	62,496	16,134,187	8,516,987	107,326	8,624,313
1927-8 ...	17,458,948	66,693	17,525,641	8,243,679	113,327	8,357,006

POST OFFICE SAVINGS BANK

Year	Amount Deposited	Amount Withdrawn	Amount of Balance at End of Year	
			Number of Depositors	Amount of Deposits
1906-7	1,331,733	605,303	19,650	652,571
1911-2	2,516,694	2,326,418	61,362	2,349,666
1916-7	3,352,363	2,851,857	83,598	2,890,582
1921-2	7,821,406	6,962,200	147,292	7,298,626
1926-7	9,795,152	9,048,274	226,277	12,194,995
1927-8	14,019,291	10,579,185	243,952	16,373,338

39 Telegraphs and Telephones

When the Communications system was transferred to the Kwantung Government, the Japanese telegraph system in Manchuria had no connection with that maintained by the Chinese Government. Telegraph messages from Dairen to China proper had then to be sent through Japan. In order to facilitate telegraphic connection with China, a submarine cable was laid between Kwantung and Chefoo by a Sino-Japanese joint undertaking by virtue of a convention concluded on October 12, 1908. Three months later another agreement was concluded between the two Governments, by which the telegraph system in the

Railway Zone should be connected with the Chinese telegraph system at Antung, Newchwang, Liaoyang, Mukden, Tiehling and Changchun. Cable connection with Japan consisted of a telegraph line along the railway, via Chosen, and a submarine cable between Dairen and Saseho. In order to serve the increasing cable traffic, a direct line between Dairen and Tokyo, via Chosen, and another direct line between Mukden and Osaka were established in 1919. Further to facilitate the ever-increasing cable business between Manchuria and Japan, the Government, in 1920, caused the South Manchuria Railway Company to lay a submarine cable between Dairen and Nagasaki, which cost 2,720,000 yen. This cable was leased to the Government, and has been in operation since April, 1921.

A wireless telegraph station was installed in Dairen Bay in November, 1911, chiefly as an aid to navigation.

The telephone service in the Leased Territory and the Railway Zone, which was at one time operated by the Japanese military authorities in Dairen, Liaoyang, Mukden, and Port Arthur, was later taken over by the Communications Bureau and was opened to the public. This service was further extended to the principal towns along the railway.

The progress of the telegraph and telephone services made in the last twenty-two years is shown by the following table:

TELEGRAPHS

Year	Messages Dispatched			Messages Received			Messages in Transit
	Domestic	International	Total	Domestic	International	Total	
1906-7...	201,800	90,240	292,040	205,119	65,123	270,242	212,714
1911-2...	861,980	34,194	896,174	796,681	36,239	832,920	1,168,171
1916-7...	1,246,656	72,944	1,319,600	1,171,954	80,188	1,252,142	1,566,892
1921-2...	2,205,402	126,987	2,332,389	2,105,796	117,271	2,223,067	2,571,442
1926-7...	1,811,396	211,665	2,023,061	1,734,457	208,850	1,943,307	2,249,000

TELEPHONES

Year	No. of Users	Number of Automatic Telephone Boxes	Number of Messages		
			Within Urban Areas	Outside Urban Areas	Total
1906-7	785	—	1,948,871	105,100	2,053,971
1911-2	3,630	42	20,152,027	220,448	20,372,475
1916-7	4,976	58	26,907,685	369,756	27,277,441
1921-2	11,155	74	55,293,251	791,931	56,085,182
1926-7	14,816	99	110,521,767	1,097,210	111,618,977
1927-8	15,484	106	118,294,205	1,275,199	119,569,404

40 Educational, Hygienic and Other Services

In the Leased Territory and Railway Zone, where more than 82 per cent. of the total population, numbering 1,093,000, is Chinese, about 7,000,000 yen has been spent annually for education by the Kwantung Government and the South Manchuria Railway Co. The Kwantung Government also looks after hygiene and sanitation in co-operation with the South Manchuria Railway Co. Undertakings for the encouragement of agriculture and industry in the Leased Territory are conducted by the Kwantung Government and by the South Manchuria Railway Company. All these educational and hygienic services, as well as agricultural and industrial encouragement, will be treated later in separate chapters under the respective headings.

IV SOUTH MANCHURIA RAILWAY

41 Introductory Remarks

The South Manchuria Railway is more than a railway company. In addition to the extensive railway undertakings in South Manchuria which constitute the main business, it conducts, as accessory enterprises, coal mines, iron works, wharves, warehousing, etc. The Company also conducts educational, hygienic and other public works within the Railway Zone; controls a number of joint-stock companies, electric and gas works, shipping and dockyard companies, hotel undertakings, etc., chiefly in South Manchuria, and acts also as a holding company for these concerns. The functions of the corporation and the volume of its business are possibly the largest of their kind in the Orient, and in some respects, are unsurpassed by any other concern in the Pacific area. The story of its development is also, to a great extent, the story of the progress of Manchuria in the last twenty-one years, for both are inseparably related.

42 Formation of the Corporation

The Japanese Government engaged in most serious considerations prior to the establishment of the Company. In contrast to the political or military line first built by the Russians in Manchuria, it was decided that the railways to be conducted by Japan should rather be commercial in order to serve international trade and facilitate the development of industry and agriculture in Manchuria. Whether the railway should be conducted directly by the Government, as in Japan proper, or by a joint-stock corporation was another question. The capital of the undertaking had to be adequate, otherwise efficiency of operation and international service might not be obtained. Above all, the most important consideration was that the principal business of the Company was to be operated and conducted in a foreign land.

As stated in a previous chapter, when the *post-bellum* program was submitted to the Council of Cabinet Ministers and Elder Statesmen in May, 1906, it was held that the Japanese policy adopted in Manchuria

should respect China's sovereignty and should adhere to the principle of equal opportunity for all nations.

The Imperial Ordinance sanctioning the organization of the South Manchuria Railway Company was promulgated on June 7, 1906. The ordinance provided, (1) that a joint stock corporation, called the Minami Manshu Tetsudo Kabushiki Kaisha (South Manchuria Railway Joint Stock Company) should be organized for the purpose of engaging in railway traffic in Manchuria; (2) that the shares of the Company should be registered and owned only by the Japanese and Chinese Governments or by their nationals; (3) that the Japanese Government may offer as a part of the capital its Manchuria railways, coal mines and appurtenances obtained in 1905 from Russia by the Treaty of Portsmouth and approved by China in virtue of the Peking Treaty concluded in the same year; (4) that the President and Vice-President should be appointed by the Government, and the directors appointed from among the shareholders, but that the directors should be elected at the General Meeting of the shareholders; (5) that to matters relating to the Company not provided for by this ordinance the provisions of commercial law should be applied. On the 13th of July, the organization committee of eighty persons, including higher officials in several Government departments, leading members of the Diet, University professors, and eminent businessmen of the Empire, was organized. General Kodama, who served as Chief of the General Staff to Field Marshal Oyama in the war with Russia, was appointed chairman, and on his death Viscount Terauchi, who was War Minister at the time, succeeded him. On August 1st, an order setting forth the conditions of the formation of the Company was given to the committee by the Ministers of Foreign Affairs, Communications, and Finance conjointly.

These conditions provided, (1) that the railway tracks should be changed to 4 feet $8\frac{1}{2}$ inches (standard) gauge within three years from the day when the Company should commence operations; (2) that on the Dairen-Changchun trunk line, the tracks between Dairen and Suchiatun (near Mukden) should be doubled; (3) that the necessary arrangements for connecting land and sea where harbours or bays were approached by the railways should be provided; (4) that business functions be provided, mainly in connection with railway enterprises and accessory undertakings — coal-mine operation, water transportation, warehousing, electric enterprises, etc.; (5) that furthermore the Company should carry out public works, education and sanitation in the Railway Zone with Government permission; (6) that a Government guarantee would be

provided for the payment of interest on debentures and for the repayment of principal. It was also provided that when the dividend of the Company for any business year should be less than 6 per cent. on the paid-up capital, the Government should make up the deficiency for the period of fifteen years. Acting on the above-described Imperial Ordinance and Government order, the committee finally, on the 14th of August, drew up the articles of incorporation of the South Manchuria Railway Joint Stock Company, observing in many respects the provisions of the commercial law of Japan, and the articles of incorporation of the Company obtained the Government's approval on the 18th. When the general meeting of shareholders for the establishment of the Company was held on November 22nd, the articles of incorporation were unanimously passed. Thus the South Manchuria Railway Company came into existence by a special charter of the Government, but essentially as a joint-stock company organized in conformity with the provisions of the commercial law of Japan. When Baron Goto (now Count) was recommended at the general meeting as the President of the newly-established corporation, the President spoke on the mission of the South Manchuria Railway. He declared that though the total length of the railways to be operated by the Company was a little less than 700 miles, their position constituted a link in world communication and provided international business facilities, not only for the Orient but also for the world at large. The policy of the Company should be in conformity with the will of the Government and the shareholders, but should give the greater weight to the general wishes of business men at home and abroad. More particularly should a spirit of co-operation with the Chinese authorities and people be cultivated.

43 Organization

Most serious attention was paid to the selection of the personnel of the governing board of the Company. Baron Goto, who had exhibited organizing and executive ability in civil administration and industrial undertakings in Formosa, having been appointed President, the directors of the Board were selected from among persons having ability and experience in banking, trading and railway operation, in the legal profession, and in civil administration. Baron Goto's service, though it was of short duration, being rather less than two years, placed the Company on a sound basis. The terms of office of the President and Vice-President were fixed at five years, and of Directors at four years;

but it is a matter of regret that political changes in Japan have often compelled a change in the presidency of the Company, so that nine Presidents have functioned during the last 21 years. Yet during these years the Company has made great progress. Its investments have grown to 644,800,000 yen from 101,800,000 yen, and its annual profit to 36,274,000 yen from 2,017,000 yen.

The present President, Mr. Jotaro Yamamoto, and the Vice-President, Mr. Yosuke Matsuoka, were appointed on July 19, 1927. President Yamamoto is a business man well known in Japan for high executive ability; Vice-President Matsuoka spent many years in the diplomatic service, and joined the Company as Managing Director in 1921, serving in this office until 1926.

It is the policy of the new President to place the Company's business on a more sound economic basis, and to take progressive steps to develop enterprises which will afford benefit to Japan and equally to China. In a speech made at the shareholders' general meeting held on June 20, 1928, he stated that Manchuria and Mongolia contain a vast territory still to be opened up, where many natural resources await a market. The extraordinary migration of Chinese to Manchuria and Mongolia, annually numbering over one million people, is one of the important factors entering into the development of these regions. In the economic relation of Japan with Manchuria, Japan's primary consideration lies in receiving from Manchuria foodstuffs and industrial materials, while fostering the export of Japanese manufactures to China, which is a great customer for Japanese goods. The South Manchuria Railway, he declared, is naturally charged with the mission to carry out this national policy and to function as an instrument for its execution. As the first step, it was decided that the Fushun shale oil industry project, which had been pending for several years, should be carried into effect so as to ensure the production of 55,000 tons of heavy oil a year. By installing one more blast furnace, with a capacity of 500 tons, at the Anshan Iron Works, its annual output is to be increased to 200,000 tons from 150,000 tons. Following the policy of placing the Company's business on a more sound economic basis, by readjusting the extensive organization and by eliminating supernumeraries, expenses were cut down, while equipment and efficiency were improved. The result was that the Company's net profit for the fiscal year ending March 31, 1928, increased to 36,270,000 yen, i. e., an increase of 2,120,000 yen over that of the preceding fiscal year.

When the Company commenced operations in April, 1907, its

A Bird's-eye View of the Head Offices of the South Manchuria Railway Company, Dairen.

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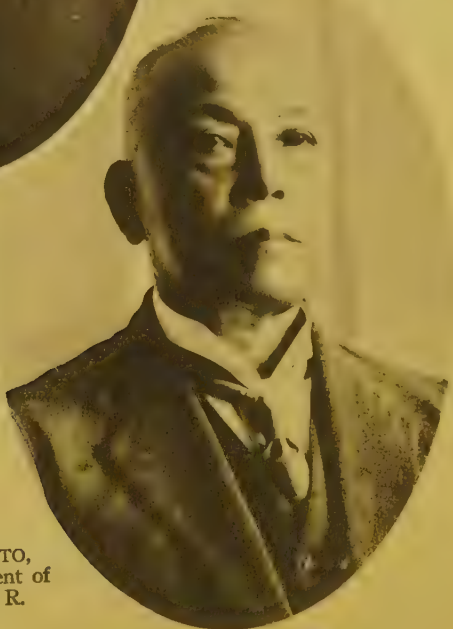
Count TERAUCHI,
Succeeded as Chairman
after Death of
Count Kodama.

Count KODAMA,
Chairman of the
Organizing Committee
of the S. M. R.

Count GOTO,
First President of
the S. M. R.

Mr. YOSUKE MATSUOKA,
Present Vice-President
of the S. M. R.



Mr. JOTARO YAMAMOTO,
Present President of
the S. M. R.

UNIVERSITY OF ILLINOIS

organization was divided into five departments: General Affairs, Research, Transportation, Mining, and Local Affairs. The directors, though constituting the board of administration, had also to act as departmental chiefs, but in the course of years the administration underwent various changes, until in April, 1923 the organization as it at present exists was evolved. In addition to the President's Secretariat, there are five departments, General Affairs, Railways, Industries, Local Affairs, and Treasury. Affiliated offices are the Tokyo Branch Office, Fushun Coal Mining Office, Anshan Iron Mining Office, Technical Committee, etc. As the functions and volume of business are steadily increasing, the directors have ceased to perform the duties of departmental chiefs, but attend jointly to the supervision of important business under the control of the President, besides acting as a board of directors, leaving departmental business to the general managers who act as department chiefs.

At the close of the fiscal year ending March 31, 1908, the Company employed 2,967 officials, and 6,135 Japanese and 4,129 Chinese workers, totaling 13,231. After twenty-one years, i. e., on March 31, 1928, the official staff had increased to 8,832, the Japanese workers to 11,865, and the Chinese to 13,677, totaling 34,374. In addition, the coolie day laborers who are nearly all Chinese, increased from 30,000 enrolled per day to 70,000.

The organization of the South Manchuria Railway Company and its affiliated offices, as they existed at the end of the fiscal year, on March 31, 1928, is shown in the following summary:—

- President's Secretariat
  - General Secretary's Office
  - Personnel Office (including Apprentice School, and Stenographers' and Typists' Training School)
  - Business Consulting Office
  - Information Bureau
  - Councillors
  - Inspectors
  - Private Secretaries to President
  - Efficiency Section
- Dept. of Welfare, Research and Foreign Affairs (or General Affairs Department)
  - Secretary's Office
  - Welfare Office
  - Research Office
  - S. M. R. New York Office
  - " Shanghai "
  - " Peking "
  - " Mukden Cheng-li Office
  - " Chengchiatun Office
  - " Kirin "
  - " Taonan "
  - " Tsitsihar "
- Secretary's Office
- Traffic Office
- Inter-Line Affairs Office
- Train Operating Office
- Engineering Office
- Mechanical Engineering Office
- Electrical Engineering Office
- Accounting Office

President
Board of Directors

- Railway Department
  - Dairen Railway Division Office
  - Mukden „ „ „
  - Shakako Railway Workshops
  - Liaoyang „ „
  - Kan-ching-tzu Temporary Construction Office
  - Technical Testing Investigating Institute
- Local Affairs Department
  - Secretary's Office
  - Local Affairs Office
  - Civil Engineering Office
  - Architect's Office
  - Educational Affairs Office
  - Sanitation Office
  - S. M. R. Wafangtien Local Public Works Office
  - „ Tashihchiao „ „ „ „
  - „ Yingkou „ „ „ „
  - „ Anshan „ „ „ „
  - „ Liaoyang „ „ „ „
  - „ Mukden „ „ „ „
  - „ Tiehling „ „ „ „
  - „ Kaiyuan „ „ „ „
  - „ Ssupingkai „ „ „ „
  - „ Kungchuling „ „ „ „
  - „ Changchun „ „ „ „
  - „ Penhsihu „ „ „ „
  - „ Antung „ „ „ „
  - Manchuria Medical College
  - Dairen Hospital (and 17 branch hospitals)
  - South Manchuria Technical College
  - Manchuria Teachers' College
  - Middle School
  - Girls' High School
  - South Manchuria Medical School
  - Dairen Library
  - Mukden Library
  - Dairen Engineering Office
  - Sanitation Laboratory
- Industrial Department
  - Secretary's Office
  - Commercial and Industrial Office
  - Agricultural Office
  - Sales Office
  - Agriculture Experimental Station
  - Cattle Plague Research Institute
  - Geological Bureau
  - Infectious Animals' Station
  - Commercial and Industrial Museum
  - Central Laboratory
- Treasury Department
  - Finance Office
  - Accounting Office
  - Stores Office
- Technical Advisory Committee
- Special Economic Advisory Committee
- Tokyo Branch Office
  - Secretary's Office
  - Traffic Office
  - Accounting Office
  - Oriental Research Bureau
- Fushun Colliery
  - Investigator
  - Secretary's Office
  - Accounting Office
  - Coal Transportation Office
  - Engineering Office
  - Power House
  - Engineering Shops
  - Investigation Office
  - Kuchengtzu Mine
  - Oyama Mine
  - Togo Mine
  - Higashigaoka Mine
  - Laohutai
  - Lungfeng
  - Yentai
- Anshan Iron Works
  - Administration Office
  - Iron Manufacture Office
- S. M. R. Harbin Office
  - Secretary's Office
  - Traffic Office

44 Finance and Accounting

The authorized capital of the Company was originally 200,000,000 yen, of which 100,000,000 yen was furnished by the Japanese Government turning over all its property in railways and coal mines and their appurtenances to the Company. The other half was offered for subscription to the Chinese Government and the Japanese and Chinese public, but this offer was not accepted on the part of the Chinese. When the first issue of shares was floated in September, 1906, the Japanese general public over-subscribed the issue no less than 1,066 times. Up to March, 1920, 80,000,000 yen was paid up, leaving 20,000,000 yen uncalled, but with the necessary development of the Company's activities, especially after the Great War, the Company increased its capitalization from 200,000,000 yen to 440,000,000 yen. The Government again increased its holdings, by 120,000,000 yen, or half of the increased capital, by taking over three debenture issues which the Company had floated on the London Market: £4,000,000 of five per cent., £2,000,000 of five per cent., and £6,000,000 of four and one-half per cent., totaling £12,000,000. The actual net receipts were £12,000,000, being 117,156,000 yen in Japanese currency, while of the Government holding 2,844,000 yen was left unpaid. Of the remaining shares, amounting to 220,000,000 yen allotted to the general public, 138,000,000 yen have been subscribed, and 82,000,000 yen remain uncalled, as on March 31, 1928.

The Company was originally authorized to issue debentures to the amount of the unpaid share capital belonging to other than Government holders. By Imperial Ordinance No. 4 of 1910, this amount could be expanded to twice the amount of all paid-up share capital, but could not exceed the amount of the authorized capital. The Government may guarantee the payment of interest and principal of the debentures to the same extent, if necessary, but debentures issued with the Government guarantee must be redeemed within twenty-five years.

The financial policy of the Company in the first stage was to raise funds for its undertakings more by issuing debentures than by floating new capital shares. Finding the most favourable market in London, four issues of debentures, aggregating £14,000,000, were floated there in succession during the four years ending January 3, 1911. Of these debentures, £12,000,000 were, as previously stated, taken over by the Government in payment for its holdings of share capital, and the remaining £2,000,000 were redeemed on July 1, 1911.

Since then, more than twenty-two issues of debentures were made in Japan up to May 31, 1928, except one amounting to £4,000,000 which was issued on the London market on July 19, 1923. Nine out of these twenty-two issues had been redeemed up to the end of the business year on March 31, 1928, leaving fourteen issues outstanding, aggregating 278,152,000 yen.

The Company started its undertakings in 1907 with an estimated fund of 100,000,000 yen, of which 80,000,000 yen was raised by floating bonds in England and 20,000,000 yen by calls on shares.

The fund thus raised by the means mentioned above have been invested in various enterprises. During the last twenty-one years, ending March 31, 1928, the investment in direct undertakings, including the appraised value of properties taken over by the Company from the Japanese Government in 1906, aggregated 644,841,734 yen, as shown by the table below:

	1907-8	1912-3	1917-8	1922-3	1927-8
Railways	34,542,910	97,113,296	105,530,752	189,616,304	239,517,926
Workshops	763,906	6,048,094	7,569,359	11,068,325	8,759,631
Steamships	—	3,385,357	2,680,317	3,559,874	4,044,933
Harbors.....	6,640,837	14,779,320	24,099,384	37,064,308	59,789,109
Coal Mines	46,396,043	56,469,164	71,097,985	121,056,784	102,730,711
Iron Works	—	—	4,447,760	34,541,803	20,747,607
Electricity.....	474,695	5,002,052	5,738,182	15,237,405	—
Gas	3,592	1,170,495	1,554,778	5,434,140	—
Hotels	216,302	1,342,106	2,075,006	2,370,222	—
Public Works ...	3,374,494	11,022,573	17,786,171	40,863,288	164,679,343
Others	9,459,178	18,544,224	21,782,973	46,074,005	44,572,475
Total.....	101,871,957	214,876,681	264,362,667	506,886,458	644,841,735

The growth of these enterprises is shown by the following table of receipts, expenditures, and net profits:

Fiscal year	Receipts	Expenditures	Profits	Percentage of expenditure against receipts
	yen	yen	yen	
1907-8	12,543,116	10,526,531	2,016,585	84
1912-3	33,546,477	28,620,433	4,926,045	85
1917-8	69,429,252	54,503,610	14,925,643	79
1922-3	169,956,646	134,876,402	35,080,244	79
1927-8	230,558,523	194,284,201	36,274,323	84

The net profit of the Company for the year 1907 was 2,000,000 yen; it had increased to 36,000,000 yen twenty-one years later. The railways furnish the most important item of profit, the total amounting

to 68,000,000 yen today, surpassing by far the net profit of the Company. Next to the railways, the coal mines yield about 9,700,000 yen profit, and harbor undertakings about 970,000 yen. Other enterprises of the Company to date are conducted at a loss, or a nominal profit, but are designed for the public benefit and to develop traffic for the railway. The expenditures for local public works such as schools, hospitals, street and road-building, industrial and agricultural model farms, etc., were more than 19,000,000 yen, and the receipts less than 6,000,000 yen. The hotel undertakings were losing more than 264,000 yen a year, and Anshan Iron Works 157,000 yen a year. The following table shows the profit and loss account of the Company for the fiscal year ending March 31, 1928.

	Receipts	Expenditures	Profit and Loss
Railways	113,244,180.15	45,235,834.93	68,008,345.22
Harbors	10,275,942.58	9,305,782.43	970,160.15
Coal Mines	82,787,419.09	73,039,118.77	9,748,300.32
Iron Works	9,223,114.00	9,380,656.31	— 157,542.31
Hotels	1,000,859.52	1,264,943.69	— 264,084.17
Local Public Works	6,098,233.67	19,104,444.35	—13,006,210.68
Interest on Deposits and Loans	5,445,735.56	20,567,502.88	—15,121,767.32
Sundry Profit and Loss	2,483,039.34	2,839,438.77	— 356,399.43
Overhead Charges		11,482,935.73	—11,482,935.73
Depreciation Fund for Debentures		2,063,542.97	— 2,063,542.97
Total	230,558,523.91	194,284,200.83	36,274,323.08

In the matter of dividends on the net profit of the Company, the Japanese Government guaranteed payment up to 6 per cent. on the publicly held shares, if the dividend should fall below that percentage; but the Company's enterprises, especially the railways, were so successful that a 6 per cent. dividend on the publicly held shares was paid from the first fiscal year, and was gradually increased to 10 per cent. The Government shares in the profit, but only after payment has been made of all charges and of the 6 per cent. dividend on the public shares. The Government received such dividends from the fiscal year 1909, and has received 4.3 per cent. on its holding since 1921.

Appended is the General Balance Sheet — Assets and Liabilities — at the end of the Fiscal Year, March 31, 1928, and the disposal of Profits.

ASSETS

Capital Stock uncalled	¥ 84,844,000.00
Fixed Investment	644,841,734.32
Merchandise	4,787,214.55
Stores and Supplies	7,450,956.25
Bonds and Shares	55,287,181.24
Cash on Hand	240,204.72
Deposits	40,490,222.96
Loans	59,452,855.32
Securities Received in Pledge	5,577,794.52
Due from other Concerns	997,409.82
Guarantee Fund	894,931.20
Bills receivable	5,798,421.51
Miscellaneous Accounts receivable	56,848,639.66
Miscellaneous Accounts paid in advance	13,728,372.07
Unadjusted Balance in Engineering and Workshop Accounts	728,969.27
Discounts on Bonds and Charges	12,970,972.68
Exchange Accounts	9,095.99
Total Assets	994,948,976.08

LIABILITIES

Capital Stock authorized	¥ 440,000,000.00
Legal Reserve	17,463,903.38
Special Reserve	127,400,000.00
Bills payable	3,700,000.00
Retirement Allowance Fund for Employees	2,500,000.00
Debentures	278,152,000.00
Due to other Concerns	1,217,131.28
Securities given in Pledge	882,000.00
Guarantee Fund	3,210,429.01
Exchange Accounts	53,279.82
Savings Deposits of Employees	7,771,566.99
Guarantee Deposits of Employees	27,507,530.61
Mutual Relief Society Fund	4,331,057.51
Miscellaneous Accounts payable	23,371,630.93
Matured Bonds unpaid	769,700.00
Miscellaneous Accounts received in advance	11,548,586.44
Balance brought from previous Term	8,795,837.03
Net Profit	36,274,323.08
Total Liabilities	994,948,976.08

Net profit for the Year ended March 31, 1928	36,274,323.08
Balance brought from previous Term	8,795,837.03
Total	45,070,160.11

DISPOSAL OF PROFITS

Legal Reserve	¥	2,836,096.62
Dividends on Government Stock		9,337,708.00
Dividends to Shareholders other than Government (6% per annum)		7,740,000.00
Supplementary Dividends to Shareholders (4% per annum)		5,160,000.00
Special Reserve		8,000,000.00
Retirement Allowance Fund for Employees		2,000,000.00
Bonuses to Officials		500,000.00
Balance carried forward		9,496,355.49
Total		45,070,160.11

For the past twenty-one years, the special reserve and the legal reserve were gradually increased, and aggregated about 150,000,000 yen at the end of the fiscal year closing March 31, 1928. On the other hand, more than 100,000,000 yen in the investment account have been written off in the same period in respect of depreciation of the Company's properties. It will thus be seen that the financial standing of the Company is on a sound basis.

45 Railways

The South Manchuria Railway Company today owns and operates railway lines totaling 690.8 miles, in which the sum of 239,517,926 yen was invested up to the end of the fiscal year ending March 31, 1928. The gross revenue for the year was 113,244,180 yen, expenditure 45,235,835 yen, and profits 68,008,345 yen, or 98.449 yen per mile. These figures reveal the fact that in efficiency and earning capacity the S. M. R. probably surpasses the leading railways in America, Europe, or Japan. But, owing to the heavy investment in capital stock in the form of debentures and the various services for sanitation, education, and other public works, the profits of the Company as a whole are considerably diminished by the payment of interest and by the expense of these services.

46 Reconstruction and Improvement

The railway system that the Company first took over from the Japanese Government, in April, 1907, was in rather a depleted state. During the Russo-Japanese war, most of the rolling stock was withdrawn by the Russians, or destroyed on their retreat, and the

bridges were blown up. With the march of the Japanese armies to the north, the track was changed from the five-feet Russian gauge to the narrow gauge used by the railways in Japan, so that Japanese rolling stock might be the more readily utilized in the Manchurian campaign. Before the Company came into existence, however, the standard gauge of 4.8½ feet had been already adopted in Korea and China. In order to serve international trade on the Asiatic continent more efficiently, the South Manchuria Railway Company promptly adopted the standard gauge and the double track as ordered by the Government.

By adopting the standard gauge, it was also observed that the reconstruction work might be quickly carried out without much interruption of traffic if American rails and rolling stock were imported.

Immediately after the railways were transferred from Government control on April 1, 1907, a comprehensive program of reconstruction was begun. The work of widening the gauge on the branch line, Dairen-Port Arthur (31.6 miles) was completed by December 1, 1907; on the main line, Dairen-Changchun, through Mukden (438.5 miles), by April 30, 1908, and on two other branch lines, respectively to Yingkou and Fushun Mine, by May 30. The doubling of the track between Dairen and Suchiatun, a distance of 238⅓ miles, was begun at the same time, and was completed on October 27, 1909. The doubling of the track between Suchiatun and Mukden, a distance of ten miles begun in June, 1915 was completed in November, 1918. The doubling of the track further north, from Mukden to Changchun, was begun in 1919, and is now nearly completed. The original Russian 65 lb. rails were first replaced with 80 lb. and, later, with 100 lb. rails. The roadbed being constantly improved, the steepest grade in the trunk line between Dairen and Changchun is now only one per cent., while the shortest radius of any curve is 15 chains.

The line between Antung and Mukden was originally built as a light military railway by the Japanese during the Russo-Japanese war. As already stated, Japan obtained from China the right to reconstruct the railway on standard gauge and operate and maintain the same for the purpose of international trade and industry. When this railway was transferred to the charge of the Company, it was decided to substitute the standard gauge within three years. But, owing to the controversy which arose on the subject between China and Japan, and to the line traversing mountainous regions, the reconstruction work was delayed until August 7, 1909, when the tunneling work at Fuchinling was begun. The whole work, including 24 tunnels, 205

bridges, and 213 culverts, was completed in two years and three months, and on November 1, 1911, the opening of this 161-mile railway was held with appropriate ceremony. The reconstruction cost amounted to about 25,000,000 yen. This line is still a single track and 80 lb. rails were used, but these are now being replaced by 100 lb. rails.

The lines owned and operated by the South Manchuria Railway Company are as follows:—

1.	Dairen-Changchun Main Line	438.5 miles
2.	Antung-Mukden Main Line	161.7 „
3.	Port Arthur Branch line from Choushuitzu	31.6 „
4.	Yingkou Branch line from Tashihchiao	13.9 „
5.	Yentai Colliery Branch line	9.7 „
6.	Fushun Branch line from Hunho	35.4 „
	Total	690.8 miles

Rolling stock has been increased more than three times during the past twenty-one years, as shown in the accompanying table:

	Fiscal Year ending March 31, 1908	Fiscal Year ending March 31, 1928
Locomotives	202	441
Passenger Cars	104	486
Freight Cars	2,181	7,260
Total	2,487	8,183

47 Traffic and Operation Regulations

Regarding traffic and operation regulations, those controling the administration of the Government Railways in Japan proper were first applied to the South Manchuria Railway. In order to meet the different conditions existing in Manchuria, as well as to make these lines more effective as an important link in world communications, the Company enacted its own Traffic Regulations in October, 1909. By these Regulations, the Company's responsibilities towards both passengers and shippers of goods are more clearly defined, and greater facilities provided, while the operation of the lines was developed into a smoothly working system. However, many changing conditions, specially during and after the great European war, necessitated the revision of these regulations in October, 1927, by which greater traffic efficiency and unity in operation have been secured.

48 Railway Rates

The rates for passengers at present are: first class, 7 sen per mile; second class, $4\frac{1}{2}$ sen; third class, $2\frac{1}{2}$ sen. For travel on the express trains, composed of excellently equipped Pullman sleeping and dining cars, an extra express ticket is required, at the rate 3 yen for first class, 2 yen for second class and 1 yen for third class for distances up to 500 miles. Special reductions in rates, however, are made from time to time to encourage local development and assist in relief work. During the North China famine in 1920, a 50 per cent. reduction in freight rates on supplies moving into the famine district was made, while thousands of Chinese famine refugees were transported free of charge. As already stated in the section on Immigration, for the refugee immigrants driven out during 1926-7 from Shantung and Chihli provinces by the civil war, a 35 to 40 per cent. deduction was made, while infants under the age of 15 and aged persons above 60 were carried free.

49 International Through Traffic

International through routes for passengers and freight have been gradually established in co-operation with the various railways and sea lines to Chinese and Japanese ports and inland cities, and to Europe and America. Supplementing international traffic being an important undertaking, the Company made constant efforts to this end, particularly in co-operation with Russia. When Baron Goto, the first President of the Company, went in May, 1908, to Petrograd, he made preliminary arrangements with Mr. Wentzel, Vice-President of Chinese Eastern Railway for direct through traffic between the South Manchuria Railway and the Chinese Eastern Railway. In October, the Company inaugurated an express service between Dairen and Changchun, consisting of sleeping and dining cars of Pullman type, and connecting at Changchun with the Trans-Siberian trains of the International Sleeping Car and Express Train Co. and the Russian State Express. At Dairen an efficient steamship service operated between Dairen and Shanghai; and another service was arranged between Dairen and Japan. By the rebuilding of the line from Mukden to Antung, and the opening of the great bridge across the Yalu in 1911, thus connecting the Manchuria and Chosen lines, which connect with the Imperial Government Railways of Japan through the channel steamer service between Fusan and Shimonoseki,

a new world highway system between Japan and Europe was established. In January, 1913, more detailed arrangements for through traffic service of freight were made at Petrograd between the Japanese Government Railways, Korean Government Railways, South Manchuria Railways, Osaka Steamship Company, Chinese Eastern Railway of Russia, and Russian Volunteer Fleet. There was also a through traffic arrangement for tourists between the Far East and Europe, going via Trans-Siberian Railways and returning via Suez Canal, or vice versa. In this round trip, the North German Lloyd, the Peninsular and Oriental Steam Navigation Co., and the Messageries Maritimes participated. Round-the-world through traffic was also arranged by the participation of the Canadian Pacific Railway Co. and other companies with regular services on the Atlantic and Pacific. But the European war, and later the Russian political disorders, caused all these international through traffic arrangements to be suspended.

Subsequently the International Through Traffic Railway Convention was concluded by the Second General Conference on Transportation of the League of Nations, held at Geneva in November, 1923, and to which the South Manchuria Railway Company adhered. Japan made persistent efforts to re-establish through traffic between the Far East and European Russia; the Soviet Government recognized this necessity, but negotiations did not reach a practical stage until the preliminary arrangement was made in December, 1926.

Today, travelers between Europe and Japan or China, taking the South Manchuria Railway, can save a great deal in both expense and time. The firstclass fare from Tokyo to London is 530 yen, the time 16 days by rail, as against 1,100 yen and 30 days via America by steamer. From Shanghai to London, the fare is 600 yen; the time 16 days by rail, and 1,050 yen and 41 days by steamer, via Suez.

50 The Growth of Traffic

During the last twenty-one years, there has been a remarkable growth of traffic on the South Manchuria Railway, despite all obstacles to progress, the constant activities of Manchurian bandits, and the frequent threat of civil war. The number of passengers carried has increased more than five-fold, and the tons of freight handled more than twelve-fold. The stupendous increase of freight, though augmented each year by shipments of coal mined by the Company itself, is due to the ever-increasing agricultural produce, especially the Manchurian

bean. The number of passengers increased more than five times in the period — an increase wholly due to the thirdclass passenger. On the other hand, first and secondclass passengers rather show a decrease. The express train service, including Pullman cars and American dining and observation cars, is maintained for the international traffic, and is run at a loss.

The table below shows the growth of freight and passenger traffic:

Tons of Freight			Passengers		
Items	1907-8	1927-8	Passengers	1907-8	1927-8
Coal	165,521	8,830,593	1st class.....	39,152	13,275
Beans	202,857	2,696,405	2nd „	925,493	157,724
Beancake.....	637,773	423,915	3rd „	547,586	8,092,090
Kaoliang.....		895,425			
Millet		428,135			
Flour	12,410	207,775			
Other Grain ...	73,847	601,703			
Lumber		463,603			
Salt	47,012	193,308			
Mineral Products		393,493			
Other Items ...	852,469	3,293,421			
Total	1,491,859	18,427,775	Total ...	1,512,231	8,263,089

The accompanying table shows in greater detail the activities of the Company in regard to capital investment, passengers and freight, gross receipts and expenditures, and net receipts during the past twenty-one years:—

	Length of Lines open to Traffic	Amount of Investment	Passengers		Freight		Total Receipts	Expenditures	Profit	Profit per mile
			Number	Receipts	Tons	Receipts				
1907-8	706.1	¥ 9,694,126	1,512,231	¥ 3,594,239	1,486,434	¥ 6,160,274	¥ 9,768,887	¥ 6,101,615	¥ 3,667,272	¥ 5,194
1908-9	707.0	32,545,131	1,868,140	2,964,587	2,609,036	9,542,262	12,537,142	5,161,408	7,375,734	10,432
1909-10	704.0	40,878,992	2,179,062	3,250,412	3,568,527	11,241,859	15,016,198	5,818,333	9,197,865	13,065
1910-1	710.9	55,830,384	2,349,088	3,264,639	3,922,164	11,641,529	15,671,605	6,542,640	9,128,965	12,841
1911-2	701.2	67,758,738	3,158,270	4,273,423	4,705,690	12,471,415	17,526,288	6,908,354	10,617,934	15,143
1912-3	693.8	72,264,513	3,905,822	5,008,633	4,681,698	13,913,341	19,907,456	7,846,923	12,060,533	17,383
1913-4	693.9	74,317,325	4,143,687	5,069,127	5,782,161	16,159,171	22,275,132	7,913,948	14,361,184	20,696
1914-5	690.8	75,557,956	3,617,547	4,367,168	5,705,948	17,550,150	23,216,721	8,345,286	14,871,435	21,528
1915-6	687.3	76,257,202	3,708,165	4,842,338	5,860,716	17,260,655	23,532,118	8,174,520	15,357,598	22,345
1916-7	687.2	78,040,072	4,410,816	6,040,453	6,229,757	19,882,476	27,815,349	8,435,939	19,379,410	28,201
1917-8	687.2	80,681,968	5,844,929	8,136,707	7,274,177	23,793,056	34,457,923	10,858,734	23,599,189	34,341
1918-9	687.2	86,136,390	7,491,946	10,911,382	8,334,084	30,377,682	44,992,872	17,038,157	27,954,715	40,679
1919-20	686.9	113,268,698	9,274,114	14,243,790	10,096,672	46,305,759	67,060,720	30,528,938	36,531,782	53,184
1920-1	686.2	141,376,680	8,123,411	14,659,337	10,154,259	63,867,090	85,316,806	36,760,264	48,556,542	70,762
1921-2	686.0	153,998,741	6,926,619	12,194,288	10,400,208	59,615,835	78,204,132	32,172,717	45,031,415	65,642
1922-3	686.0	164,767,521	7,645,068	12,389,464	12,043,870	69,518,111	87,813,029	34,169,285	53,643,744	78,198
1923-4	686.9	173,274,243	8,762,862	13,431,856	13,371,673	72,582,757	92,269,704	35,787,589	56,482,115	82,228
1924-5	693.3	186,608,309	8,732,718	13,645,538	14,588,437	77,019,368	92,561,732	36,553,297	56,008,435	80,785
1925-6	694.8	195,940,081	9,109,004	14,530,942	15,045,292	80,535,820	97,395,228	38,800,691	58,594,537	84,333
1926-7	693.5	200,190,586	8,290,085	15,216,353	16,535,194	89,513,059	107,923,567	45,951,623	61,971,944	89,861
1927-8	690.8	214,669,143	8,263,089	16,102,953	18,427,775	94,040,819	113,244,180	45,235,835	68,008,345	98,449

51 Railway Workshops

Originally, during the Russian regime, a railway workshop stood within the compound of Dairen Station. After the Company had taken charge in 1907, it was decided to build a new modern-equipped workshop on an extensive scale at Shakako, near Dairen. Construction work was commenced toward the end of 1908 and completed in August, 1911. These shops have the capacity of executing repairs simultaneously on 27 locomotives, 36 passenger cars, and 130 freight cars, while at the same time, constructing or repairing other railway material, mining machinery, etc. The Shakako shops are among the largest in the Orient. Of the rolling stock now in use, 105 locomotives, 281 passenger cars, 4,179 freight cars, and 145 caboose cars were constructed at Shakako. In addition, a number of orders have been filled for the Chosen Government Railways and Chinese Government Railways. Another repair shop on a smaller scale is located at Liaoyang. The Company has invested more than 8,700,000 yen in these shops where today 1,387 Japanese and 1,508 Chinese are employed. During the fiscal year ending March 31, 1928, 229 locomotives, 454 passenger cars and 2,186 freight cars were repaired and reconstructed, while 78 locomotives, 20 second-class passenger cars, 15 parcel-post cars, 1,013 freight cars, and 100 caboose cars, were constructed or assembled. The total expenditure on the shops during the year amounted to 11,506,363 yen.

52 Harbors

The construction and administration of harbors in most countries are conducted by the Government. At the port of Dairen in the Leased Territory, however, harbour construction and administration are entrusted to the South Manchuria Railway Company, much as the Great Western Railway Co. carries on similar works at Cardiff, Port Talbot, and Barry Dock, in South Wales. But the quarantine administration in Dairen harbor is wholly conducted by the Kwantung Government. The Russians planned to make the port of Dairen (Dalny, as christened by them) the southern terminal of the Chinese Eastern Railway, it being an ice-free port, of which they had dreamed for a century. Their investment in the development of the city and harbor of Dairen was estimated over 30,000,000 roubles. When the harbor was placed under the Company's charge, it was far from being complete, only one pier having been finished, while quays and breakwaters were only

Second Wharf at the Port of Dairen.

Interior of the Wharf Provided with Passenger Facilities.

Facilities for quick Travel Connections.

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partly constructed. The dredging of the harbor had also been very imperfectly done, the greater portion being untouched.

The Company, though it followed in the main the plan laid down by the Russians, immediately entered upon a comprehensive scheme of harbor improvement. Direct communication between land and sea being one of the Government orders, it was provided that trains come direct to the steamer-side, and thus cargoes and passengers are transferred with the least delay. The breakwaters were improved and completed in March, 1918, and the old Russian pier was reconstructed. Two new piers have since been built, and the fourth is now under construction, the completion of which is expected in 1931. Three wharves between four piers were also completed. The present breakwaters aggregate 13,137 ft., or 2.5 miles, and the area enclosed by them is a little less than 800 acres. The total length of berthing quays is 14,396 feet, which will be increased to 18,896 feet after the fourth pier is completed. At present steamers totalling 173,000 tons can be docked at one time, and this will be increased to 242,000 tons by 1931. Just outside the breakwater, there is a pier 1,135 feet in length reserved for loading and unloading oil and other combustibles. One junk wharf for junk cargoes, having the capacity of 200,000 tons a year, is also provided. For steamers discharging or loading in the harbor, there are fifteen steel lighters. There are also two 50-ton and five 5-ton floating cranes, and one 45-ton, one 27-ton and three 5-ton locomotive cranes on shore. A number of electric and steam cranes have been installed on the piers to handle heavy cargo. Coal-shipping facilities include cardampers having the capacity of supplying 1,800 tons per hour, and belt-conveyors with the capacity of 900 tons per hour. Within the wharf compounds are 68 miles of railway to facilitate the shifting and handling of cargoes.

The Company's investment in harbor and wharf development at the Port of Dairen up to March, 1928 aggregated 52,987,000 yen. If expenditure incurred in the piers constructed by the Company at Yingkou, Antung, Port Arthur, and Shanghai be added, the total investment amounts to 59,788,000 yen.

The progress of the Wharfage Traffic at the Port of Dairen may be gathered from the following table:—

	Number of Steamers arriving	Tonnage of Goods		
		Imported	Exported	Total
		Tons	Tons	Tons
1907-8	1,143	599,188	320,764	919,952
1912-3	1,968	468,368	1,509,519	1,977,887
1917-8	2,072	892,041	2,429,145	3,321,186
1922-3	3,171	724,154	5,222,253	5,946,407
1927-8	4,224	1,076,141	7,299,912	8,376,053

In addition, the Company conducts an extensive warehousing business at Dairen and the principal stations along the railway which will be treated in the following section. Receipts, including anchorage, wharfage, storage, etc., expenditures, and profit in five-year intervals are shown in the following table:—

Years	Receipts	Expenditures	Profit
	Yen	Yen	Yen
1907-8	572,493	560,151	12,342
1912-3	1,688,720	1,489,384	199,336
1917-8	3,499,934	3,106,862	393,072
1922-3	8,674,535	7,392,162	1,282,372
1927-8	10,275,943	9,305,782	970,160

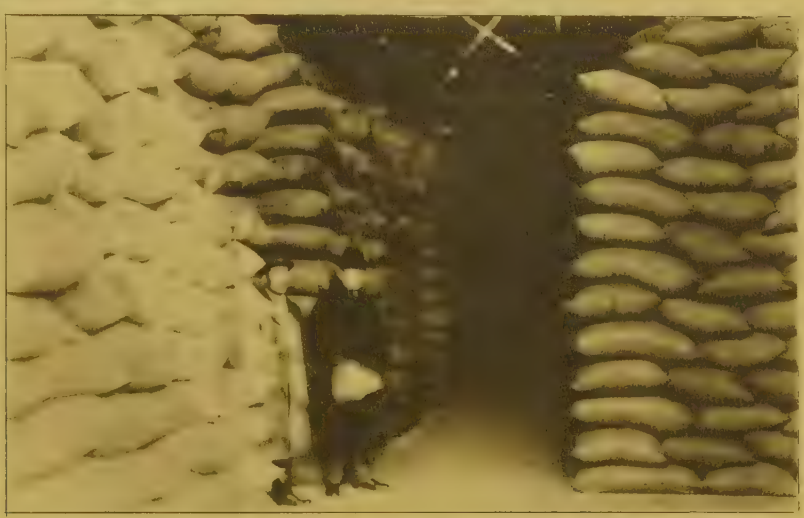
53 Warehousing

The warehousing facilities, originally in a very crude state, have been greatly developed since the Company assumed the management in November, 1911. On the piers, and within the wharf compounds, Dairen harbor today has 67 warehouses with floor space aggregating 312,482 square metres. In addition, there are 97 warehouses with floor space aggregating 123,728 square metres at the leading stations along the railways.

In order to facilitate the shipment and marketing of soya beans, the Company inaugurated a so-called mixed storage system first at the Dairen wharves in 1913, which was later extended to Mukden, Tiehling, Kaiyuan, and other centres on the main line. By this system, beans are graded and classified at receiving points according to qualities and weight, and receipts, negotiable at the bank, are issued, which call for the delivery of like quantities and qualities at terminal points. The system was later introduced for the storage of beancake, bean oil, and wheat.

The cargoes handled at the warehouses now amount to over 11,000,000 tons a year, 60 per cent. of which are beans and bean products.

Car-load of Soya Bean Cakes brought to Mixed Storage at Dairen.



Soya Bean graded at Mixed Storage of Dairen awaiting Shipment.

Soya Bean Cake at Mixed Storage awaiting Shipment.

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The table below shows the growth of the Warehousing business:—

Years	Cargo transferred from previous year	Cargo Received	Total	Cargo taken out
	Tons	Tons	Tons	Tons
1911-2	7,507	718,777	726,284	568,312
1912-3	157,972	969,192	1,127,164	996,867
1917-8	331,418	3,332,967	3,664,385	3,157,080
1922-3	643,527	5,213,722	5,857,249	5,349,811
1927-8	612,362	5,276,268	5,888,630	5,318,241

The Company inaugurated in 1911 a scheme of fire insurance on goods in storage under custody free of expense to the shippers.

The following table shows the amount thus insured and premium paid by the Company for the last ten years:—

Years	Amount Insured	Premium paid by Company
	Yen	Yen
1917-8	325,432,400	114,116.20
1918-9	274,794,000	103,697.69
1919-20	362,531,000	237,319.51
1920-1	317,488,400	205,229.94
1921-2	347,853,900	194,895.05
1922-3	302,556,800	187,101.78
1923-4	254,616,400	136,100.51
1924-5	358,515,600	162,210.49
1925-6	294,334,900	116,640.27
1926-7	371,620,900	142,378.64

54 Coal Mining

The most important undertaking of the Company, next to the railways, is coal mining, carried on at Fushun and Yentai. The investment in this industry amounted to 102,700,000 yen at the close of the fiscal year ending March 31, 1928. During this fiscal year the product of the mines, amounting to 7,429,624 tons was sold; the gross receipts were 82,787,419 yen and the expenses 73,039,119 yen, leaving 9,748,300 yen as net profit. The annual output amounts to 6,982,870 tons, more than 26,000 tons a day. In the year 1907, when the Company took over this undertaking, the daily output was only 300 tons.

The Company is fortunate in operating a rich coal-bed like that at Fushun, the largest open cut in the world. Fushun lies in the valley of the Hun river, a little over twenty miles east of Mukden. It runs east and west about 10 miles parallel with the river and from north to south $2\frac{1}{2}$ miles, covering 23 square miles. The seam is interbedded in

the tertiary stratum with a northerly dip of about 30 degrees and with an average thickness of 130 feet, the thickest part being 430 feet. The general thickness of coal seams in Germany, Great Britain, and the United States is said to be from two to forty feet. Whatever the facts, the deposit in Fushun is exceedingly large, being estimated at from 952,000,000 to 1,200,000,000 tons. Probably no similar reserve can be found anywhere in the world in such a relatively small area.

The district has a long history. Coal was first worked by Koreans some 600 years ago, and was used for the baking of earthenware. Three hundred years later, further digging was prohibited for the curious reason that it was near the mausoleum of a Manchu Emperor, built in the suburbs of Mukden. Prior to and during the Russo-Japanese war, the mines were operated by Russians on a small scale for their own needs, the daily output amounting to 300 tons. After the war, the Japanese military authorities carried on the mining until it was turned over in 1907 to the South Manchuria Railway Company, together with the Yentai and other minor fields. Then it entered a new era of large-scale production on a scientific basis, equipped with modern machinery, mostly imported from the United States and Germany.

As a first step in the most advanced scientific and technical operation, Dr. Buichiro Matsuda, chief engineer of the Mitsubishi Mining Co., was invited by the Company to occupy the post of Superintendent-General of the Mine in January, 1907. Dr. Matsuda lost no time in applying what was known as the first stage of the program of developing the mine. By this the Company improved three old pits and opened two new pits on a large scale; one of which was named the "Oyama Pit" and the other the "Togo Pit." This program was completed in 1912 at the cost of 9,200,000 yen, and the daily output was increased from 360 to 5,000 tons.

Pressed by the increasing demand, however, the Company, as the second stage in developing the Fushun mine, introduced the open-cut mining method at two places, besides opening three new pits. The new sand-flushing method was adopted, with an electrified sand-carrying railway, supplied with current from a Mond Gas power plant. As the result of this improvement, the average capacity of production increased to about 7,000 tons, or three million tons annually, in 1918. But the demand for coal continued to increase, due to industrial expansion in Manchuria and Korea, and also to the greater use of coal by the natives in place of their former fuel, kaoliang stalks, which necessitated the import of coal into Manchuria to the extent of 150,000 tons in

The Famous Open Cut at Fushun Colliery.

Steam Bucket Excavator, Removing Earth above Coal Bed, at Fushun Open Cut.

Mine-workers Dining Hall at Fushun.

1908, and 490,000 tons in 1909. To meet the ever-increasing demand from growing industries, particularly that of the Anshan Iron Works, the Company planned another expansion. This resulted in a so-called "Ten Year Program" drawn up in 1919 and modified in 1924 as the third stage of mining development, by which the excavation of a large shaft at Lunfeng, the open cut of the remaining seams extending from Kuchengtze to the Yangpaipu brook, and the extension of the open cut of Chien-chinchai so as to connect with that of Kuchengtze, were to be worked. With the completion of this scheme, the annual output from Fushun Mines, excluding Yentai Mines, is expected to be over 8,000,000 tons in the fiscal year 1933.

The following table in English tons shows the quantity of coal produced and sold:—

Years	Quantity of coal transferred from previous year	Quantity of production	Quantity purchased	Total	Quantity sold
1907-8.....	18,712	233,325	—	233,325	202,320
1912-3.....	367,541	1,513,254	86,046	1,599,315	1,639,955
1917-8.....	134,192	2,389,584	358,492	2,748,076	2,712,301
1922-3.....	682,938	3,921,727	346,470	4,268,197	4,536,004
1927-8.....	466,672	6,982,870	573,858	7,556,728	7,429,624

The table below shows the growth of the mining industry at intervals of five years since 1907:—

Years	Receipts				Expenditure	Profit
	Sale of coal	Sale of other minerals	Other	Total		
	Yen	Yen	Yen	Yen	Yen	Yen
1907-8...	1,318,676	—	215	1,318,891	765,886	533,005
1912-3...	9,156,631	—	37,122	9,193,753	7,347,091	1,846,622
1917-8...	20,030,480	294,042	43,941	20,368,463	15,047,917	5,320,546
1922-3...	51,665,247	202,724	1,271,952	53,139,923	46,424,196	6,715,727
1927-8...	80,509,052	273,113	2,005,257	82,787,419	73,039,119	9,748,300

It is of interest to note the disposal of the coal sold in the fiscal year 1927. Of 7,429,000 tons sold, Manchuria consumed 3,326,000 tons, of which 1,323,000 tons were for account of the S. M. R. itself, 65,000 tons used by employees, and 1,937,000 tons by other consumers. Exports amounted 3,401,000 tons, of which Japan proper purchased 1,695,000 tons, Korea 417,000 tons, Taiwan 4,000 tons, North China 180,000 tons, South China 922,000 tons, while 183,000 tons went to points in the South Seas. More than 703,000 tons were furnished to steamers for bunker coal.

55 Shale Oil Plant

At Fushun Mine, there are also huge reserves of oil shale right above the coal bed. The Fushun oil shale running east and west for ten miles and north and south for one mile, being 450 feet deep in the thickest part, is estimated at as much as 5,300,000,000 tons. This shale contains an average of six per cent. of oil, the upper part of the seam containing 10–12 per cent. and gradually being reduced to 1 or 3 per cent. at the lower level, besides 0.55 per cent. of nitrogen.

The combustible capacity of the oil shale taken from the Oyama shaft, being incidentally discovered in 1911, the shale was sent to the Central Laboratory, Dairen, for test, in the following year. But in those days the utilization of oil shale, however, was regarded as commercially impossible even in Germany and elsewhere, Scotland only excepted. But the wonderful development of the airplane and automobile, and the extensive application of the Diesel engine to ships and to the industries utilizing oil during and after the European war, revolutionized the fuel question, and petroleum has become one of the fundamental bases of the industrial and military life of a nation. The consumption of this product in Japan is steadily increasing.

The annual consumption was about 350,000 tons in 1919; it was increased to 1,000,000 tons in 1928, of which more than two-thirds were imported. Thus Japan herself is confronted with this important oil question.

Meanwhile, the South Manchuria Railway Company was most seriously studying its industrial workability by utilizing oil shale at Fushun. In order to ascertain whether the shale is really suited for industrial operation, several hundred tons of Fushun shale were sent in 1920–2 to the Fuel Research Station of the Japanese Navy, to Sweden, and to Scotland for test. Subsequently, several experts in the Company's service were despatched abroad to investigate fully existing enterprises, in addition to the scientific side of the question. In 1925, a so-called semi-industrial plant was set up, and a process for extracting oil by dry distillation was successfully worked out.

Based on this process, the Company finally decided to establish a shale oil plant at Fushun with the capital allotted of 8,500,000 yen. This plant is to manufacture about 70,000 tons of the crude oil and by-products, 18,000 tons of ammonium sulphate, and 7,000 tons of paraffin. Oil production is to be gradually increased.

56 Iron Works

The South Manchuria Railway Company early contemplated working the iron ore found in great quantities at Anshan. The presence of iron deposits here was discovered in 1909 by the officials of the Geological Institute of the Company. By an agreement signed in 1914 with China, a concession to work this iron mine was given to the Chenhsing Kungssu, a Sino-Japanese company. It was also arranged that the ore produced at the mines owned and operated by this concern should be supplied to the South Manchuria Railway Company.

The original plan was to erect a plant large enough to produce 1,000,000 tons of pig-iron a year, or 800,000 tons of steel. Two blast furnaces, were to be erected as the first stage of the original plan. Construction of the first furnace was set about in May, 1917, and completed in December, 1918. Pig-iron was first produced in May, 1919. When the construction of the second furnace was about completed at the beginning of 1920, the price of pig-iron fell from 440 yen a ton in war-time to 50 yen, owing to the world-wide depression after the war.

With a view to adjusting the enterprise to the new conditions, the second furnace was not put in service, and further construction of the third and fourth furnaces planned as the second stage in the original scheme was stopped. Yet Japan was pressed by the necessity of this product to meet her ever-developing industry, and the South Manchuria Railway Company, therefore, continued to develop this undertaking, although it involved heavy financial loss. With a view to utilizing ore of low percentage and at the same time readjusting and improving the plant, in order to cover expenses, an investigation board was organized in January, 1920. A group of American scientists and practical engineers, headed by Professor Appleby, of the University of Minnesota, were invited in June, 1921 to Anshan, where they spent more than forty days, and made a thorough investigation into the nature of the ore and its possibilities. Meanwhile, more advanced processes, the so-called hematite reducing system and magnetic concentration system, by which the percentage of iron can be increased to 55 on an average, were invented by one of the Japanese experts attached to the plant. In September, the original plant was modified as follows:

(1) Annual output should be to the extent of 200,000 tons by using two blast furnaces; (2) A large concentration plant should be built; (3) Plants manufacturing by-products, ammonia sulphate, benzol,

naphthaline, etc. should be augmented. This readjustment was to be carried out within two years from 1924 at an additional expenditure of 11,000,000 yen. The total capital invested from 1919 to March 31, 1927, amounting to 45,900,000 yen, has been spent on this iron works, which contain two blast furnaces, four coke ovens, each with a daily capacity of 700 tons; by-products, plants, gas works, electric plant, etc. There are thirty-five miles of railway connecting the mines with the works.

For the fiscal year ending March, 1928, 203,445 tons of pig-iron were produced, an increase of 38,391 tons compared with the former fiscal year. Expenditure for the same period was enormously decreased. Furthermore, the capital stock being reduced from 45,000,000 yen to 20,700,000 yen, it was anticipated the loss account on this plant would be converted into a profit account in the fiscal year ending March, 1929.

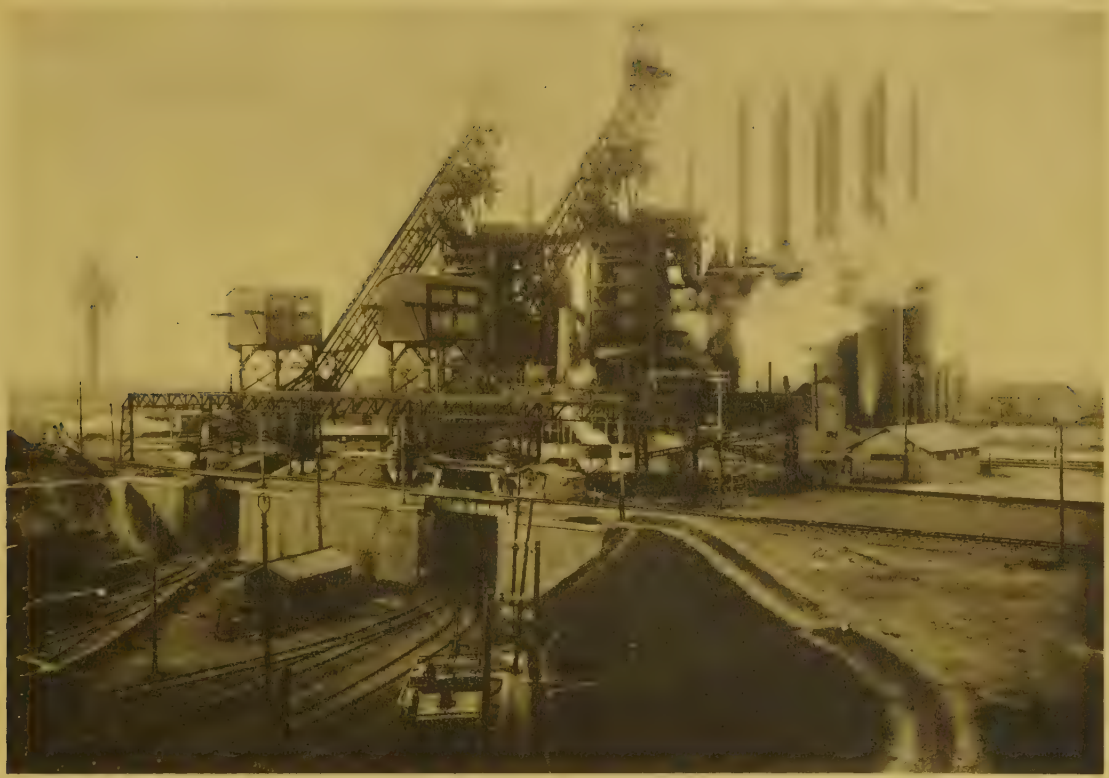
The following table reveals the general condition of the iron works at Anshan:—

Year	Annual Production	Income	Expenditure	Loss
	Tons	yen	yen	yen
1919-20	31,620	2,796,224	4,283,392	1,487,168
1920-1	75,273	1,580,655	8,003,233	6,422,577
1921-2	57,184	3,606,999	6,480,725	2,873,726
1922-3	66,543	3,386,935	6,585,278	3,198,343
1923-4	72,311	3,703,690	5,944,588	2,240,897
1924-5	94,501	4,430,753	7,386,361	2,955,607
1925-6	88,263	3,986,931	7,706,920	3,719,989
1926-7	162,455	6,896,504	10,703,098	3,806,594
1927-8	203,454	9,223,114	9,380,656	157,542

In 1928, one more blast furnace having a daily capacity of 500 tons was to be set up. By this the annual production of pig-iron can be increased to 300,000 tons.

57 Public Services in the Railway Zone

The Government General of the Kwantung Leased Territory was established in 1906, and its police administration and communications undertakings, such as post, telegraph, and telephone, were extended to the Railway Zone. But the residue of the administration in the Railway Zone was entrusted to the South Manchuria Railway Company. Thus the Company assumed the responsibility of providing the Zone with educational and sanitary undertakings, town construction and other public works, besides various undertakings for industrial and agricultural



A View of the Anshan Iron Works, Operated by the S. M. R.

The Operation of Puddling at Anshan Iron Works.

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encouragement. In these public services, the Company has during the the last twenty-one years expended more than 164,600,000 yen, of which 127,000,000 yen were for city and town construction; 13,400,000 yen for hospitals; 12,000,000 yen for schools and libraries; 6,100,000 yen for houses and land for lease; 2,000,000 yen for the Central Laboratory, model farms, experimental station for agriculture, live stock, and afforestation.

For these public services in education, sanitation, public works, and the encouragement of agriculture and industry, the Company collects house rent and fees from hospitals, schools, and other sources. Any deficit is defrayed by the Company, and such deficit today amounts to more than 13,000,000 yen a year.

The following table shows the growth of expenditure on public services in the Railway Zone:

Year	Fees, Rent, etc.	Expenditures	Deficit defrayed by Company
1907-8	120,794	251,006	130,212
1912-3	633,211	1,401,012	767,800
1917-8	1,930,284	3,538,709	1,267,560
1922-3	3,995,249	10,831,659	6,836,410
1927-8	6,098,233	19,104,444	13,006,210

58 Educational and Hygienic Works

Of the expenditure for the fiscal year ending March, 1928, amounting to 19,104,000 yen, about 3,000,000 yen were alloted to educational expenses and 4,900,000 yen for hospital and other hygienic purposes. The educational and hygienic work undertaken by the South Manchuria Railway Company will be more fully dealt with later in the chapters on Education and Sanitation.

59 Town Construction

As already stated, the Company is entrusted with the management of the Railway Zone, including the towns therein.

In order to promote the prosperity and well-being of the Railway Zone, the Company took a serious step in creating modern towns or improving old towns along the railway to the extent of making them habitable and comfortable. During the Russian regime, Newchwang and Dairen were the only places opened to trade and residence. Besides the stations along the railway, the Russians had established small

settlements at Port Arthur, Liaoyang, Wafangtien, Tashihchiao, and Kungchuling, but these chiefly consisted of residences for the railway employees and barracks for soldiers, and were by no means commercial settlements. After the management of the Railway Zone was handed over from the Japanese Army, the Company planned to build modern cities or towns at Dairen, Mukden, Liaoyang, Changchun, Antung, and other places. In the beginning it followed the Russian plan, consisting of central circles whence streets radiate like a spider-web, but soon the plan of the rectangular block system was adopted. These modern towns had not only to be provided with wide and well-paved streets, parks, market quarters, cemeteries, and other necessities, but lighting and electric power were necessary. Thus electric plants and gas works have been established in Dairen, Mukden, Changchun, Antung, and other places, and the Company has also given aid to private enterprises in the establishment of electric plants and tram systems.

To the waterworks and sewage systems, the Company has paid special attention with a view to the perfection which is a characteristic of the modern town. The waterworks originally built by the Russians at Port Arthur were enlarged and improved. Modern waterworks have been constructed at Dairen, Mukden, Liaoyang, Antung, and other leading towns, while at smaller towns modern wells have been sunk to meet the needs of the inhabitants.

The planning of modern towns undertaken by the Company has involved heavy expenditure, the cost to the Company being over 127,000,000 yen. If investments in electric plants and gas works which have been separated and handed over to independent concerns be included, the total investment in connection with the building of modern towns by the South Manchuria Railway Company amounts to more than 157,000,000 yen.

60 Local Management

In 1907, when the Company took over the charge of the Railway Zone administration, there were settlement councils at several centres along the Railway. The Company caused them to act as its agents, but discontinued their services in October of the same year. The Company established instead district agencies at Liaoyang, Mukden, Changchun, and four other places for the purposes of local administration. These district agencies were gradually increased, and are maintained today at thirteen railway towns, including Antung, Yingkou, Tashihchiao,

Kaiyuan, and Ssupingkai. At Fushun, the General Office of the Collieries undertakes similar local administration. Where there is no district agency or sub-agency, the station-master supervises part of the business of a district agency. Each district agency has a Local Committee, the members of which are elected by the tax payers in the district, and in the fixing of the annual budget of the district, the Local Committee is consulted. The idea is to cultivate the spirit of self-government among the residents, disregarding nationality — Chinese, Japanese, or European.

For the maintenance of the local administration, it is empowered by the Government to collect taxes, fees, licenses, etc., and to make other necessary assessments upon the residents within the Zone, subject to Government sanction, in order to cover its outlays. Any deficit is borne by the Company, and such deficit today amounts in the aggregate to more than 2,700,000 yen per year.

61 Experimental Laboratories, Model Farms, Research Work

With a view to improving and encouraging agriculture and industries suitable to the conditions of Manchuria and Eastern Inner Mongolia, the Company has established a number of experimental laboratories and model farms in Dairen, and at places in the Railway Zone. Other scientific institutions conducting research work on economic questions or in connection with the historical survey of Manchuria, Mongolia, and the Far East in general, were also established.

62 Central Laboratory

The Central Laboratory was originally established in 1908 by the Kwantung Government in Dairen, as an institution to conduct experiments and analytical testing in agriculture, industry, and hygiene. The necessity being felt of founding basic plans for developing the natural resources in Manchuria more by scientific research and practical experiment, this institution was transferred to the South Manchuria Railway Company in 1910 and enlarged. The scope of its activities was divided into eight divisions, namely, analytical chemistry, applied chemistry, textiles and dyeing, pottery, fermentation, sanitary chemistry, electrical chemistry, and clerical work. In addition, the Laboratory renders service to the public at large by conducting on request

general analyses, testings, and estimates with the object of contributing to industrial and hygienic progress in South Manchuria.

Any new idea giving good promise of commercial utilization as the result of these investigations, may be further tested in an experimental workshop or industrial plant, and when the commercial production stage is reached, turned over to a company to operate as a going concern. During past years, a tussah filature, pottery plant, experimental glass factory, brick kiln, sorghum alcohol distillery, dyeing and weaving mill, bean-oil mill, fatty-acid mill, experimental lignoid factory, etc., have been founded. Of these experimental workshops, the bean-oil mill, fatty-acid factory, pottery plant, experimental glass factory, brick kiln, and others were later handed over to independent management or to private corporations.

In June, 1920, the eight divisions of the Laboratory were reorganized and converted into two greater divisions, of Experimentation and Research. The former division chiefly deals with all analyses, experimentation, testing, and estimates, while the latter attends to matters concerning physical and chemical investigation and research. All hygienic chemistry hitherto conducted by this Laboratory was transferred in 1925 to the Hygienic Institute which was newly established. Ever since, the activity of this Laboratory has been directed more toward experimental and research work in regard to the industrialization of products peculiar to Manchuria, such as beans, kaoliang, salt, coal, and other minerals.

It should be mentioned that the Laboratory has secured during the past twenty-one years more than ten patent rights on important manufacturing processes newly discovered, and many applications for patents are pending.

The table below shows the number of tests, analyses, or estimates made on request up to 1925:—

Year	No. of applications by various Departments of S. M. R.	No. of applicatons by Kwantung Government	No. of applications by general Public	Total
1921	4,735	1,455	2,419	8,609
1922	4,209	714	2,608	7,531
1923	5,233	523	1,705	7,461
1924	6,741	2,515	1,919	11,175
1925	4,675	1,526	1,941	8,142
1926	5,077	1,081	1,906	8,064

63 Geological Institute

This was first established at Fushun in order to develop the coal mines. In October, 1907, the Institute was removed to Dairen, and devoted to geological work and the survey of the mineral resources of Manchuria. One of its important achievements was the discovery of the iron deposits of Anshan, besides the discovery of magnesium in the Kaiping and Haiching districts. A most comprehensive map and a pictorial table of the mineral products of Manchuria are in preparation.

64 Model Farms

The Company has, besides two Agricultural Experimental Farms, respectively at Kungchuling and Hsiungyaocheng, established 22 nursery beds and three cattle feeding stations at different places along the Railway. The fundamental idea is to encourage the native farmers to improve their primitive methods by distributing improved fertilizers and better seeds or seedlings. Further details will be given in the chapter on Agriculture, which deals with the general condition of agriculture in Manchuria.

65 Eastern Asia Economic Research Bureau

The South Manchuria Railway, being one of the largest concerns in the Far East, whose interests are indissolubly connected with the commercial and industrial situation of the East and West, the first President, Baron Goto, considered it an honourable service to create a sort of economic intelligence institution, such as the intelligence offices or archives of large French and German banks. In September, 1908, the Eastern Asia Economic Research Bureau based on Baron Goto's scheme was established in the Tokyo branch office of the Company. Its main work was to collect and distribute all available information covering the subject of economic activities of the leading countries of Europe and America, which would be of interest to the trade, industry, railway and shipping communications of Eastern Asia. The management of this bureau was placed in the hands of one of the directors of the Company, Dr. Santaro Okamatsu, formerly a professor of Kyoto Imperial University; and Dr. Thiess, professor of national economy at the technical University of Dantzig, Germany, who formerly had charge

of a similar institution of the Hamburg-America line, was appointed counsellor for the organization of this Bureau. It was hoped that the work of the Bureau would contribute to the better understanding and co-operation among nations by exchanging all useful information on economic data, domestic and foreign.

During past years, the Bureau has published more than three hundred reports and has done valuable service in the years when similar work was not seriously undertaken by other institutions in Japan, prior to the European war. Today, banks, steamship companies and other industrial corporations in Japan maintain their research bureaux. These research offices and the East Asia Research Bureau co-operating with the Government research office, in 1920 organized a National Research Association with headquarters in Tokyo.

66 Research Work in Main Office

The business functions of the South Manchuria Railway Company are so extensive that they relate directly or indirectly with all economic and social conditions in Manchuria and Mongolia. The necessity of investigation into the history of these great regions, their agricultural and industrial features and other economic questions being keenly felt, a research office was created in the main office of the Company at Dairen in March, 1907. Its objects were to collect materials for the Company's own use and to prepare information for the general public. In the last twenty-one years more than 350 volumes — books, pamphlets, booklets, periodicals, etc. have been published. An Encyclopaedia of Manchuria and Mongolia in six volumes, Report on Customs and Usages of Manchuria in nine volumes, Monthly Reports on Research, Trade Returns of North China, and a Detailed Trade Return of Manchuria, are among the important works prepared by the Research Office of the South Manchuria Railway Company.

67 Affiliated Undertakings

Electric plants, gas works, marine transportation, docking, street-car services, and the hotel business, were in their beginning undertaken directly by the Company as activities subsidiary to its main business. When they had made certain development so that they could independently carry on, the Company took steps gradually to make them independent concerns. Besides these undertakings, the Company is

concerned directly or indirectly with industrial and commercial corporations by supplying the whole or part of the capital, in order to encourage industrial, commercial and agricultural development in Manchuria. The total investment in these affiliated undertakings, amounts to more than 45,000,000 yen; in addition the sum of 16,000,000 yen has been invested in other associated concerns.

68 Electric Plants

The Company originally maintained electric light and power plants at Dairen, Mukden, Antung, and Changchun, while the Fushun and Anshan plants were worked on account of the Fushun Colliery and Anshan Iron Works respectively. Electric tramways were also operated at Dairen and Fushun. These several plants, except those of Fushun and Anshan, were amalgamated in May, 1926, into one corporation, called the South Manchuria Electric Company. The capital was 25,000,000 yen, of which 22,000,000 yen was paid up. The growth of power supply of electrical undertakings in Dairen (including Port Arthur), Mukden, Antung, and Changchun is shown in the following table:

	Dairen	Mukden	Changchun	Antung	Total
	K.W.H.	K.W.H.	K.W.H.	K.W.H.	K.W.H.
1910-1...	6,019,875	509,328	729,107	97,287	7,355,597
1917-8...	14,702,590	1,418,052	3,838,650	1,763,142	21,722,434
1927-8...	60,340,185	16,818,395	8,164,537	22,436,704	107,759,821

An eight per cent. dividend was declared on the paid-up capital of the South Manchuria Electric Company for the working year ending March, 1928.

69 Gas Works

The South Manchuria Railway Company, in order to meet the demand for lighting, heating and industrial purposes, first built gas plants at Dairen in 1910. In 1920, the Anshan Iron Works commenced supplying the surplus gas to Anshan Municipality. Plants were built in Mukden in 1923, Antung in 1924, and Changchun in the same year. The management of these five plants was separated in July, 1925 from the South Manchuria Railway Company, the enterprises being incorporated in the South Manchuria Gas Company, with a capital of 10,000,000 yen, of which 9,300,000 yen was paid up.

Ten years ago the total amount of gas produced during the working year (1917) was 128,945,400 cubic feet, the by-products being 7,671 tons of coke and 169,824 gallons of tar. Today the total amount of gas increased to 431,392,962 cubic feet, coke to 14,108 tons, and tar to 1,361,311 gallons, according to the return for the working year 1927. Ammonium sulphate amounting to 123 tons was produced in this year.

70 Dairen Steamship Company

The South Manchuria Railway Company at the outset felt it a duty to participate in the international railway service between the Far East and Europe. This induced the Company to institute a regular steamship service between Dairen and Shanghai, which was undertaken in August, 1908 by chartering three steamers from the Nippon Yusen Kaisha, thus establishing the shortest route between Europe and Shanghai. In December, 1914, Tsingtao was included in this service as a port of call. Meanwhile the Company built more advanced turbine steamers, which replaced the chartered steamers. In 1915, the Dairen Steamship Company was organized by purchasing steamers engaged in coastal trade in North China, and the operation of the Dairen-Shanghai line was handed over to this company in February, 1918. Five navigation lines are now maintained by the Company. They are the Dairen-Tsingtao-Shanghai line, Dairen-Tientsin-Antung line, Dairen-Hongkong line, Tsingtao-Shanghai line, and Dairen-Lungkou (near Chefoo) line.

The Dairen Steamship Company today ownes 24 steamers with aggregate tonnage of 57,229 tons, and charters eight steamers with aggregate tonnage of 23,528 tons. Its authorized capital is 10,000,000 yen, of which 4,750,000 yen is paid up.

71 Manchuria Dock Company

The first dockyard in Dairen was built by the Russians. It was handed over to the South Manchuria Railway Company in 1907 by the Imperial Japanese Navy. Its management was entrusted to the Kawasaki Dockyard Company, of Japan, in July, 1908, and subsequently steps were taken to increase the docking capacity from a 3,000-ton steamer at most to a 6,000-ton steamer with ease. This enterprise was separated from the account of the South Manchuria Railway Company in March, 1923, and incorporated as an independent concern under the

name of the Manchuria Dock Company, with a capital of 2,000,000 yen, of which 1,000,000 yen was paid up.

72 Hotels

The South Manchuria Railway Company from the very beginning having charge of part of the international traffic route, engaged in the hotel business rather for the public service than for profit-making. In fact, the expenses of this undertaking each year have exceeded receipts, except in the year 1919.

The Yamato Hotel at Dairen was opened in August, 1907, but the popularity of the new route between Asia and Europe soon proved the original building to be too small to meet the ever-increasing demand. A new building was therefore planned, and the present elegant structure of the Dairen Yamato Hotel, fireproof, and in modern Renaissance style, with all necessary equipments and comforts, was completed in June, 1914, and was opened on the 1st August. The Yamato Hotels in Port Arthur and Changchun were opened in 1908. The Yamato Hotel in Mukden, which forms part of the railway station, was opened in October, 1910. This station hotel being unable to meet the requirements of increasing travel, the building of a new hotel, of modern type, was begun in 1927, and is expected to be opened in the Spring of 1929.

The hotel undertaking conducted by the South Manchuria Railway Company was in March, 1928 incorporated into an independent concern under the name of the South Manchuria Hotel Company, with the paid-up capital of 3,880,000 yen. The undertaking, as stated before, incurred in most years deficits aggregating about 300,000 yen. Losses, however, have gradually decreased, that for the working year ending March, 1928 being only 31,237 yen.

In connection with the subject of hotel accommodation, it is of interest to mention the summer resorts and hot springs in South Manchuria.

Within a few miles of Dairen is one of the most attractive summer resorts of the Orient — that of Hoshigaura, or Star Beach, which is connected with the city by a fine five-mile motor road. Hoshigaura is becoming increasingly popular among South China residents of all nationalities for the summer vacation, and here, in addition to a summer hotel, the South Manchuria Hotel Co. maintains a number of bungalows overlooking the beach, which each year are

occupied by families from Shanghai, Hankow, and other distant cities.

Foreign visitors generally have a good word for Star Beach, the merits of which are not known as widely as they should be. This, at least, is the view of a distinguished diplomatic visitor from Peking who believes that if the resort were more widely known, it would attract European visitors even from East India and the South Seas. There is no lack of opportunity for golf, tennis, boating, and other sports, while a motor road to Port Arthur, thirty miles in length, built by the Kwantung Government makes motoring a pleasure.

There are, further, several points on the coast between Dairen and Port Arthur where the beach is sandy and the waters in summer clean and cool, so that in the coming years the coast will develop as a residential quarter, the businessman never being far from the city.

In addition to the seaside resorts, South Manchuria has its hot-springs. Three are well known, the principal being that at Tangkangtzu, on the main line, 182 miles north of Dairen and 64 miles south of Mukden; the others are at Hsiungyaocheng, 111 miles north of Dairen, and at Wulungpei, on the Antung-Mukden line, 15 miles from Antung. All are simple thermal springs, i. e., those issuing from the earth at a higher temperature then 98 F., generally beneficial in cases of rheumatism and nervous troubles.

Yamato Hotel at Dairen.

Hoshigaura or Star Beach, near Dairen.

Hot Springs at Tangkangtzu on the Main Line of the S. M. R.

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V TRADE

73 General Remarks

The Russo-Japanese war, which marked a new epoch in the history of Manchuria, politically and economically, introduced a most radical change in the tradal situation, especially after the opening of Dairen Port.

Prior to the war, Newchwang was the only port in Manchuria opened to trade with outer countries. Newchwang and Tientsin were opened at the same time as early as 1861, and each had a great hinterland of which it was the outlet, but while the trade of Tientsin markedly increased, maintaining a position next to Shanghai, the increase of the trade in Newchwang was slow, the percentage of this port's trade to China's total trade being less than 10% for many years.

The position of Newchwang, indeed, handicapped its trade. The port is situated several miles up the Liao River, where the fairway is too narrow to admit of navigation by large steamers, and, what is worse, it is ice-bound during four months in the year. Furthermore, the hinterland of Newchwang, Manchuria, was not thickly populated like Chihli Province, with the national capital, Peking, within a few miles, and the purchasing power of Manchuria was consequently much lower. After the Russo-Japanese war, Newchwang ceased to remain the sole open port of Manchuria, and the opening of Dairen to foreign trade brought about a stupendous growth of trade in Manchuria.

As previously alluded to in the chapter on History, China promised Japan and the United States to open Antung and Mukden shortly before the outbreak of the Russo-Japanese war, while Japan secured from China by the agreement of December, 1905, the opening of 16 towns in Manchuria, of which Manchuli, Aigun, and Suifenho, on the Siberian border, Harbin and Sansing, on the Sungari River, Liaoyang, Tiehling, Fakumen, and Hsinmintun, in Mukden Province, were the most important. By the agreement with the Japanese relating the Chientao District in northeastern Manchuria signed in 1909, China undertook to open Langchingtsun, Hunchun, etc. Antung was "opened" on March 1, 1907, and nine other important towns, including Harbin, Mukden, Manchouli, Aigun, etc., were formally opened by 1911.

On August 22, 1906, Japan declared Dairen, in the Leased Territory,

a free port. By the agreement with Japan, signed on May 30, 1907, China established an office of the Imperial Maritime Customs at Dairen, and levied Customs duty on all merchandise passing the frontiers of the Leased Territory into the interior of Manchuria.

The harbor of Dairen, much favoured by nature, naturally deep, well sheltered, and free from ice all the year round, was further improved at a heavy expenditure; and, as the most important gateway of the South Manchuria Railway, the main line which traverses the heart of South Manchuria, the port has come to play the most significant part in the trade of Manchuria as a whole.

In 1908, one year after the opening of Dairen, the total trade of Manchuria increased to 100,707,000 Tls., i. e., 12 per cent. of the total trade of China; the proportion increased to 17% in 1913, 20% in 1920, and 21% in 1927.

The total trade of China aggregating 2,500,000,000 Tls. in 1927, Manchuria's trade amounted to 676,949,000 Tls. of which 376,420,000 Tls. was the share of Dairen. In most years Dairen's share amounted to more than 55% of Manchuria's total trade. Nothing is more remarkable in the history of Manchuria than the development of this port in the short period of twenty-one years, a growth entirely due to the activities encouraged by the comparative peace which has reigned in Manchuria in contrast to the conditions which have prevailed in the great centres of commerce and industry further south.

The supremacy in foreign trade of Dairen, however, did not affect adversely the position of Newchwang, where trade has increased as a whole. The opening of the younger port simply enlarged the opportunities for trade, of which so keen a commercial people as the Chinese took every advantage.

The growth of the foreign trade of Manchuria, including trade with China proper, during the past twenty-one years, is set forth in the table attached, calculated in Haikwan Taels:

	Imports	Exports	Total	Balance
1907	30,685,152	22,042,323	52,727,475	— 8,642,829
1908	53,112,034	47,585,123	100,697,157	— 5,526,911
1909	69,159,331	83,026,018	152,185,349	13,866,687
1910	81,731,940	88,999,422	170,731,362	7,267,482
1911	94,797,846	103,733,492	198,531,338	8,935,646
1912	102,232,018	100,166,041	202,398,059	— 2,065,977
1913	125,683,660	113,041,999	238,725,659	— 12,641,661
1914	112,409,981	109,331,936	221,471,917	— 3,078,045
1915	108,111,646	130,084,502	238,196,148	21,972,856

1916	129,555,872	130,807,129	260,363,001	1,251,257
1917	158,562,010	161,120,501	319,682,511	2,558,491
1918	177,219,156	166,856,166	344,075,322	— 10,362,990
1919	231,303,593	212,008,762	443,312,355	— 19,294,831
1920	205,129,451	225,926,429	431,055,880	20,796,978
1921	218,187,674	234,407,892	452,595,566	16,220,218
1922	196,432,072	274,661,906	471,093,978	78,229,834
1923	207,055,228	293,928,940	500,984,168	86,873,712
1924	200,648,460	269,018,082	469,666,552	68,369,612
1925	244,721,505	312,368,194	557,089,699	67,646,689
1926	276,840,619	370,742,398	647,583,017	93,901,779
1927	268,913,586	408,036,179	676,949,765	139,122,593

In the above table the most encouraging aspect of Manchuria's trade appears in the excess of exports over imports, quite contrary to the trade in China proper, Japan, and Korea, where imports invariably exceed exports. Manchuria has experienced an excess of imports only in those years marked by heavy purchases from abroad — rails, rolling stock, and machinery from America and Europe, mostly by the South Manchuria Railway Company.

74 Trade According to Country

When Newchwang was the sole open port in Manchuria, its trade was the export of Manchurian beans and beancake to the southern provinces of China, where the beancake was extensively used as fertilizer for the sugar plantations. Beans were consumed in southern mills for oil extraction, the product being used as a substitute for groundnut oil. The imports at this port were cotton goods of low grade — sheeting and drills — chiefly from England. Later on, American cheap sheeting and drills entered in competition. The trade with Japan was insignificant until after the Sino-Japanese war of 1894–5. As previously stated, Japan gradually became a heavy purchaser of the Manchurian beans and beancake, and her purchases soon equalled those of the Chinese provinces put together in 1898. In 1903, the year before the Russo-Japanese war, Japanese purchases exceeded those of China proper, and Japan became the largest buyer of Manchurian products.

At Newchwang the Yokohama Specie Bank established a branch as early as 1900, in order to facilitate the development of Japanese trade. In spite of the rapid increase in the export to Japan, imports from Japan were very slow. In cotton goods, which have always constituted the largest item of Manchurian imports, Japan's share was

almost negligible, amounting to 8,205 Tls., out of 2,041,809 Tls., which was the total amount of the cotton-goods trade of 1899. America's share of this represented 1,716,272 Tls., and the British share 25,031 Tls., exclusive of Indian cotton. But early in 1903, just before the Russo-Japanese war, British cottons worked their way up until they held the leadership in shirtings; while the American sheetings, drills, and jeans held the leadership. In those days the Japanese infant cotton industry was not in a position to compete with either the British and American, or the Indian mills. England then held the leading place in shirtings, America in sheetings, drills, and jeans, and India in yarns.

Japan's strenuous but constant efforts to develop this industry, especially after the Russo-Japanese war, were gradually crowned with success. The Chinese Customs Commissioner at Newchwang in his report for 1910, stated that "there has been a big drop in cotton goods of American and English origin, and increased arrivals of Japanese manufactures. American shirtings, sheetings, and drills decreased from 1,057,122 pieces in 1909 to 633,313 pieces; the same goods of English manufactures decreased from 150,462 to 99,062 pieces; while those of Japanese make increased from 297,660 to 408,554 pieces. American jeans fell from 86,301 to 3,440 pieces, but English jeans rose from 240,157 to 293,033 pieces. As to cotton goods imported through Dairen to the same, the Japanese manufactures amounted to more than 30 times as much as those imported from America, England and India put together."

These developments invited the most vigorous attacks on Japan, foreign critics alleging discriminating railway rates in favour of Japanese manufactures made by the South Manchuria Railway Company. It is fair to admit that some discrimination against other than Japanese goods might have been made during the time the railway was operated under the military administration. But since the Kwantung Government confined its administration to the Leased Territory, and since the South Manchuria Railway Company took charge of railways, there has been no actual evidence of such discrimination. On the other hand, the Japanese cotton industry had reached the stage where it could successfully compete with American and European manufactures. Furthermore, Japanese industry could produce a much cheaper staple by mixing raw materials of American higher grade and those of Indian and Chinese lower grades, and Japanese products could be landed in the Manchurian market at much cheaper cost. The natural advantages of the Japanese cotton industry, particularly in the Chinese market, could not be offset by

the American, English, or even the Indian mills.

Before the outbreak of the European war, the Japanese cotton industry so successfully competed with its rivals, that almost all cotton goods, except the finest kind, were supplied by Japan. The war in Europe, crippling the cotton mills in Western countries, and also ocean transportation, gave Japan the indisputable supremacy in this Far Eastern market. But it should be remembered that the more the importation of Japanese cotton goods in Manchuria, the greater the purchase of American and Indian raw cotton. China has also become a great manufacturer. Cotton goods, manufactured in China proper, have gradually increased, and today are valued at about 28,000,000 Tls., against 36,000,000 Tls. of Japanese imports for 1927. Cotton goods valued at 2,331,000 Tls. were also imported into North Manchuria, the Russian sphere, in the same year.

It is worthy of note that the falling-off of imports of English and American cotton goods did not affect the gross value of their trade in Manchuria. Trade was mostly on the increase in other lines. Imports of machinery and other iron manufactures from America and Europe were steadily maintained, particularly when the South Manchuria Railway Company commenced its varied undertakings in railway, harbor, coal-mine, and iron-works developments, involving heavy investments in rails, rolling stock, and machinery. It is a matter of interest that the value of material purchased by this Company during the twenty-one years ending March 31, 1928, aggregated over 504,831,000 yen, of which goods to the value of over 123,113,000 yen were imported direct from the United States as shown in the table below:

Fiscal Year	Material imported direct from the U.S. Yen	Total of Material bought by the Company Yen	Proportion of the U.S. Per cent
1907-8	18,917,580.93	28,430,902.82	67
1908-9	959,321.17	6,350,381.10	15
1909-10	642,723.57	12,995,215.52	5
1910-1	582,815.38	10,677,077.44	5
1911-2	865,005.34	9,290,849.11	9
1912-3	548,711.40	5,255,170.91	10
1913-4	946,601.21	9,095,438.54	10
1914-5	781,836.96	5,694,479.53	14
1915-6	2,275,230.48	9,629,502.81	24
1916-7	3,099,585.54	18,036,199.53	17
1917-8	13,775,597.86	39,650,411.70	35
1918-9	26,460,773.36	70,165,326.10	38
1919-20	16,152,885.07	50,544,421.97	32
1920-1	6,421,764.97	21,327,928.68	30
1921-2	5,639,343.72	25,364,169.77	22
1922-3	3,289,842.06	21,233,690.89	15
1923-4	5,135,030.12	33,231,825.72	15
1924-5	2,645,995.59	28,856,256.80	9
1925-6	2,761,606.39	29,205,638.70	9
1926-7	3,974,170.18	31,153,214.94	13
1927-8	7,237,241.62	38,643,748.06	19
Total	123,113,662.65	504,831,950.64	24

The total imports of American products are actually more than the Customs returns, because machinery and railway materials, and other steel manufactures of American or European origin shipped to Japan and reshipped to Manchuria, would not be recorded by the Chinese Customs.

Since the Port of Dairen was opened, the trade of Manchuria has immensely increased. Its total trade for 1908 was figured at 100,697,-157 Tls.; for 1927 the return increased to 676,949,762 Tls. The growth during the last two decades according to countries is shown in the following table:

Countries \ Years	1908			1927		
	Imports	Exports	Total	Imports	Exports	Total
Great Britain	534,684	355,950	890,634	4,661,460	12,863,955	17,525,415
Hongkong	2,037,838	846,123	2,883,961	10,362,649	4,846,216	15,308,865
India and B. Colonies	21,166	5,469	26,635	2,710,814	1,234,692	3,845,506
Total	2,593,688	1,207,542	3,801,230	17,734,923	19,044,863	36,779,786
Denmark	1,584	—	1,584	30,538	53,328	83,866
Japan	13,553,331	16,769,248	30,322,579	99,137,583	102,358,869	201,496,452
Korea	1,140,562	422,524	1,563,086	11,279,184	53,067,426	64,346,610
Total	14,690,893	17,191,772	31,885,665	110,416,767	155,426,295	265,843,062
Russia	7,490,392	10,499,885	17,990,277	21,326,248	66,998,267	88,324,515
U. S. A.	6,774,292	411	6,774,703	17,583,946	10,338,381	27,922,327
Philippines	1,286	—	1,286	54,548	1,655,298	1,709,846
Total	6,775,578	411	6,775,989	17,638,494	11,993,679	29,632,173
Germany	150,905	256	151,161	5,469,093	1,656,907	7,126,000
Belgium	14,584	18,635	33,219	1,727,676	107,806	1,835,482
Netherlands	—	—	—	1,210,752	16,435,332	17,646,084
Dutch India	244,141	2	244,143	1,018,577	4,860,254	5,878,831
Total	244,141	2	244,143	2,229,329	21,295,586	23,524,915
Other countries	—	278	278	2,981,302	17,552,975	20,534,277
Total	31,964,765	28,918,781	60,883,546	179,554,370	294,129,706	473,684,076
China Proper	21,147,269	18,666,342	39,813,611	89,359,216	113,906,473	153,265,689
Grand Total	53,112,034	47,585,123	100,697,157	268,913,586	408,036,176	676,949,762

During the past twenty years, Japan's trade (including Korea) with Manchuria increased about eight times, but she bought more than she sold in most of these years. Great Britain's share, including Hongkong and other dependencies, increased nine times in the same period, and her purchases were a little greater than her sales in recent years. But, in her exports to Manchuria, Hongkong's share included goods exported from other countries, the place of origin not being recorded in the Customs returns. If the imports of other countries be deducted from Hongkong's share, the British share might be much lower. The trade of China proper with Manchuria increased a little over five times. The Russian trade increased four and a half times but more than half of Russian export from North Manchuria went to Japan, and to some extent to China, Denmark and other European countries in most years. This is particularly true in regard to the export of beans through Vladivostok. The share of the United States, including the Philippine Islands, increased a little more than four times. Her purchase of Manchurian products was negligible for many years, but has increased in recent years. Her share of importation amounting to 17,638,494 Tls. might be increased, if American goods reshipped from Japanese ports or from Shanghai were calculated. Of the total import, kerosene and other oils amount to 5,875,000 Tls., steel and iron, including machinery, vehicles, etc. to 4,513,000 Tls., tobacco and cigarettes to 2,050,000 Tls., flour 1,382,000 Tls., and so on. The Netherlands and Dutch India bought in 1927 in Manchuria about 21,295,090 Tls. worth of goods, and sold 2,228,000 Tls. Germany sold her products to the value of 5,469,000 Tls., and purchased Manchurian products valued at about 1,656,000 Tls.

75 Trade According to Ports

In the commercial history of Manchuria, the growth of Dairen as a world port, and the creation of a great export trade in beans, are the most significant features.

In 1907, when Dairen was opened to trade, its position in the trade returns of the Imperial Maritime Customs was tenth in rank, its total trade amounting to 12,542,883 Tls. Newchwang was ninth in the same year. Dairen soon passed Newchwang, and rose to fifth rank in 1910, third in 1912, and second since 1917; that is, next to Shanghai, the position of which has always been first, and is apparently unsurpassable by any other port in China.

As far as trade in Manchuria itself is concerned, Dairen has occupied the supreme position since 1910. Its share has been more than 55% of the total trade of Manchuria for many years. The trade for 1927 aggregated 676,949,765 Tls., the Dairen share being 55%. Antung, being the junction of the Antung-Mukden line and the Korean railways, its trade relations with Korea have been growing year after year. Antung's trade surpassed that of Newchwang in 1918; for 1927 it amounted to 107,018,768 Tls., representing more than 15% of the total trade of Manchuria. In the same year the returns for Newchwang aggregated 82,218,150 Tls., representing about 12% of Manchurian trade.

In North Manchuria, i. e., at Harbin, Manchouli, and Suifenho, on the Chinese Eastern Railway, and at Aigun, near the Amur river, commerce was slowly increasing before the European war. Their aggregate trade amounted to 34,715,000 Tls. in 1913. But as a result of the war, and later by the Russian political disturbances, trade gradually decreased until it was only 20,000,000 yen in 1922. After peace and order were restored in North Manchuria, conditions in this region gradually improved. The returns for Harbin, Manchouli, Suifenho, and Aigun in 1927 aggregated 99,495,994 Tls. or 14.70 per cent. of the total Manchurian trade. The table in the following page shows the growth of the trade of Manchuria according to ports:

	1908			1918			1927		
	Import	Export	Total	Import	Export	Total	Import	Export	Total
Dairen	20,276,649	12,841,258	33,117,907	97,435,621	108,152,497	205,588,118	146,389,484	230,030,606	376,420,090
Newchwang	21,827,810	19,848,245	41,676,055	25,286,531	16,424,976	41,711,507	49,036,410	33,181,740	82,218,150
Antung	3,692,452	4,352,901	8,051,353	29,438,708	15,718,704	45,157,412	42,626,291	64,392,477	107,018,768
Lungchingtsu	—	—	—	1,582,425	1,187,690	2,770,115	5,080,686	4,352,846	9,433,532
Hunchun	—	—	—	585,921	659,110	1,245,031	1,334,401	1,028,830	2,363,231
Total	45,796,911	37,048,404	82,845,315	154,329,206	142,142,977	296,472,183	244,467,272	332,986,499	577,453,771
Harbin	—	—	—	15,443,512	20,654,701	36,098,213	23,037,818	73,842,791	96,880,609
Manchouli	3,064,654	1,263,137	4,327,791	—	—	—	—	—	—
Suifenho	4,250,469	9,273,582	13,524,651	—	—	—	—	—	—
Aigun	—	—	—	7,446,438	4,058,488	11,504,926	1,408,496	1,206,889	2,615,385
Total	7,315,123	10,536,719	17,851,842	22,889,950	24,712,189	47,603,139	24,446,314	75,049,680	99,495,994
Grand Total	**53,112,034**	**47,585,123**	**100,697,157**	**177,219,156**	**166,856,166**	**344,075,322**	**268,913,586**	**408,036,179**	**676,949,765**

76 Trade According to Principal Commodities

Like Shantung and Korea, the exports of Manchuria are mostly agricultural produce.

Beans and their products, beancake and bean-oil, today command the world's markets. For many years the export of these products constituted more than half of the total exports of Manchuria. Total exports in 1927 amounted in value to 408,036,179 Tls., of which 219,696,938 Tls., or over 52% of the amount represents the value of beans, beancake and bean-oil. Japan became the heaviest purchaser of beans and beancake after Sino-Japanese war, and her purchase of these products for 1927 amounted to 928,820,000 Tls. Since Messrs. Mitsui & Co. made the first considerable trial shipment to England in 1908, Manchurian beans and bean-oil have become popular in European countries and to some extent in America. The growth of this remarkable trade is shown in the following figures:

Year	Beans	Bean Cake	Bean Oil	Total
	U.S. Tons	U.S. Tons	U.S. Tons	U.S. Tons
1909	977,431	717,222	38,056	1,732,709
1910	831,467	637,843	46,077	1,515,387
1911	821,937	911,882	67,321	1,801,140
1912	650,106	727,131	58,606	1,435,843
1913	532,570	907,292	73,200	1,513,062
1914	672,400	804,846	49,077	1,526,323
1915	928,901	1,073,349	82,929	2,085,179
1916	575,637	992,592	103,530	1,671,759
1917	651,696	1,255,642	128,024	2,035,362
1918	512,243	1,332,628	152,385	1,997,256
1919	771,987	1,504,596	153,350	2,429,933
1920	701,104	1,500,674	138,888	2,340,666
1921	855,298	1,658,553	131,697	2,645,548
1922	1,148,557	1,790,926	131,707	3,071,190
1923	1,322,407	2,048,272	173,057	3,543,730
1924	1,509,560	1,879,708	152,036	3,541,304
1925	1,614,111	1,747,422	168,736	3,530,269
1926	1,577,471	2,129,225	199,285	3,905,981
1927	2,034,645	2,192,317	180,597	4,407,559

The important export next to beans is millet. For 1927 this trade was valued at as much as 31,397,978 Tls., of which about 28,603,035 Tls. was purchased by Korea, and the balance shipped to the Maritime Province of Asiatic Russia, where numbers of Koreans have settled, and China proper. Of the export of kaoliang, valued at 18,708,034 Tls., about 16,172,000 Tls. in value goes to China proper, 1,716,000 Tls. to

the Maritime Province, where numbers of Chinese have settled, 570,000 Tls. to Japan, 284,000 Tls. to Korea, and 70,000 Tls. to Europe and America. The export of other cereals, such as wheat, wheat-bran, maize, barley, etc., was valued at 18,000,000 Tls., Japan and Korea being important purchasers.

With regard to mineral products, the export value of coals was 35,265,708 Tls., of which, 16,080,000 Tls. represented the value of exports to Japan, 3,441,000 Tls. to Korea, 11,858,000 Tls. to China and 1,607,832 Tls. to the Philippines. The exports of pig-iron, scrap-iron and other iron were valued at 6,150,399 Tls., of which Japan purchased more than 85 per cent.

Cotton goods are still the most important item of import. Including cotton yarn, valued at 12,900,000 Tls., total imports aggregated 67,324,000 Tls., or more than 25 per cent. of the whole import trade for 1927. More than 60 per cent. of cotton goods was imported from Japan, but 80 per cent. of cotton yarn from Chinese ports. The value of imports of steel, machinery, vehicles (including automobiles, locomotives, etc.) was more than 27,665,000 Tls., almost 20% of which were direct imports from the United States, 50% from Japan, less than 10% from Germany, and the balance from England, Belgium, France, Italy, Canada, etc. Kerosene oil valued at 6,037,000 Tls. was imported in the same year, more than 70 per cent. being United States products. Imports of woolen goods amounted to about 6,800,000 Tls., in value, of which 1,187,000 Tls. were imported direct from England, 1,923,000 Tls. from Japan, 3,200,000 Tls. from China, and 851,000 Tls. from Germany. Some of the woolen goods from China, however, must be considered English or German goods transshipped at a China port.

The table in the following page shows the important imports and exports for 1927 in South and North Manchuria, excepting East Manchuria and Aigun, the trade of which was insignificant.

PRINCIPAL COMMODITIES OF EXPORTS AND IMPORTS FOR 1927

Exports	Hk. Tls.	% of Total	Imports	Hk. Tls.	% of Total
Soya Beans	98,068,170	25.62%	Cotton Piece Goods	54,424,198	20.84%
Beancake	84,958,824	22.20%	Bags & Gunny	13,658,429	5.23%
Coal	35,265,708	9.21%	Cotton Yarn	12,900,092	4.34%
Bean Oil	32,928,739	8.60%	Other Piece Goods	12,625,142	4.83%
Millet	31,397,978	8.20%	Iron & Steel	11,854,865	4.54%
Kaoliang	18,814,957	4.92%	Cigars, Cigarettes & Tobacco	11,731,647	4.49%
Other Cereals	18,708,034	4.89%	Machines & Machinery	8,941,238	3.42%
Iron & Iron Manufactures	6,150,399	1.61%	Sugar	8,818,582	3.37%
Timber, Bamboo, etc.	6,112,757	1.60%	Leather, Hides & Skins	8,498,973	3.25%
Unclassed Merchandise	50,350,250	13.15%	Flour	7,598,125	2.91%
			Vehicles	6,570,847	2.51%
			Paper	6,325,824	2.42%
			Kerosene Oil	6,091,957	2.33%
			Medicines	6,037,327	2.30%
			Cotton Raw	5,979,702	2.29%
			Unclassed Merchandise	79,033,055	30.33%
Total	382,755,816	100%	Total	261,090,003	100%

VI AGRICULTURE

77 General Features

Manchuria is often described as the "granary of Asia," as possessing "one of the richest soils in the world," or as "the land of opportunity." The fame of Manchuria was established in the political and diplomatic senses in connection with the Sino-Japanese war, the Russian railway penetration, and the Russo-Japanese war. But its agricultural destiny was not generally realised until the South Manchuria Railway Company, running through the valley of the Liao river, brought large supplies of Manchurian beans to Dairen, whence they were shipped to waiting markets in Europe. Today Japan purchases a greater proportion of the agricultural produce of Manchuria than China proper, or any Western country. Indeed, Manchurian produce constitutes an important share of the national foodstuff of Japan and raw material for Japanese industries.

The most extensive mass of level land between two great mountain-ranges, Khingan and Changpai, extending over the greater part of northern Manchuria and the whole of central Manchuria, and comprising the basins of the Liao, Sungari, Nonni and Hulan rivers, constitutes the main arable area. The chief feature of the south-western part of this area, which comprises the entire valley of the Liao river and reaches out into Eastern Inner Mongolia, is the broad, level surface and a soil well suited for agriculture. But this region is cultivated and thickly populated, with the exception of the upper reaches of the rivers and parts adjacent to Mongolia, so that there is little room left for further exploitation. The central part, which occupies the middle area of Manchuria and is watered by the Hurka river and the upper and middle reaches of the Sungari, is possibly the best agricultural region in Manchuria, and there is still room for further development. Furthermore, the lands around Changchun, Kirin, and Harbin have ample railway facilities for transporting their products. The northern part, comprising the whole of the northern region, watered by the lower Sungari, the Nonni, and the Amur, is generally rich in soil and largely virgin. As this region is sparsely populated, there is plenty of room for immigrants and for development. Lastly, the south-eastern part of Manchuria, comprising the whole valley of

the Yalu river on the Manchurian side, and Liaotung Peninsula, including the Japanese Leased Territory of Kwantung, is mountainous, and in general, contains a sterile soil mixed with gravel. The Leased Territory is rather hilly, and its soil is poor. As it is most densely populated, every yard of arable land, even the hill-sides and the river-beds, is under cultivation. The same condition prevails in the valley of the Yalu with the exception of the district along its upper reaches. In Manchuria as a whole, the better or best farm-lands are found in North Manchuria rather than in South Manchuria.

The following table shows the total area of cultivated lands, and the percentage to the total area of Manchuria as estimated in 1927, according to province:

	Area		Cultivated Land in acres	Percentage of cultivated land
	Sq. miles	Acres		
Mukden	90,224	57,743,360	9,909,900	17.8
Kirin	81,018	51,851,520	11,853,100	22.8
Amur	211,385	135,286,400	8,981,100	6.6
Total	382,627	244,881,280	30,744,100	12.3

The area of cultivated lands has been considerably increased during the last twenty-one years. In 1919, it was estimated at 17,788,100 acres, of which 6,374,100 acres were in Mukden, 7,547,000 acres in Kirin, and 3,867,000 acres in Amur province. The cultivated lands, though amounting to over thirty million acres today, could be greatly increased, as is obvious from the above figures.

78 Agricultural Produce

The principal agricultural produce of Manchuria is the world known soya bean and kaoliang, the staple food of the native. These two are followed by millet, maize (Indian corn), wheat, barley, and rice. Among other products are hemp, flax, ramie, tobacco, cotton, and wild silk cocoons. Of live stock, cattle, horses, donkeys, mules, sheep and hogs are important. The quantities of production of these varied products are difficult to ascertain because of the lack of reliable statistics furnished by the Chinese authorities. According to a statistical estimate made in 1915 regarding cereals, the total amount of annual production aggregated 404,493,000 bushels, of which kaoliang figured as high as 183,491,000 bushels, beans 86,849,090 bushels, millet 30,505,000 bushels, maize 34,429,000 bushels, barley 28,038,000 bushels, wheat 25,301,000 bushels, and rice 7,407,852 bushels. A statistical report on these pro-

The Soya Bean Field.

Kaoliang Field.

The Broad Rice Field in Manchuria.

Harvesting the Soya Bean.

Plowing a Soya Bean Field.

Planting the Soya Beans.

ducts for 1927 made by the Research Office of the South Manchuria Railway Company, gives the aggregate figure of 786,789,338 bushels. During the last twelve years, the annual return of cereal products in Manchuria has doubled. The following table gives the details of production of Manchurian cereals as existing in 1927:

	Mukden	Kirin	Amur	Total (Figures in parenthesis in American tons)
	Bushels	Bushels	Bushels	Bushels
Soya beans	52,167,601	73,999,879	63,824,793	189,962,273
	(1,464,100)	(2,076,800)	(1,791,200)	(5,332,100)
Other beans	5,008,958	5,847,027	2,684,687	13,540,672
	(155,100)	(181,000)	(83,100)	(416,200)
Kaoliang	97,587,646	56,640,031	29,880,195	184,107,872
	(2,688,500)	(1,560,500)	(823,200)	(5,072,200)
Millet	48,210,196	54,478,049	40,453,581	143,141,826
	(1,210,300)	(1,367,800)	(1,015,700)	(3,593,800)
Maize	42,735,360	19,360,052	10,683,968	7,277,938
	(1,206,300)	(546,500)	(301,500)	(2,054,300)
Wheat	4,918,854	28,033,065	29,193,153	62,145,072
	(139,900)	(797,000)	(830,000)	(1,766,900)
Paddy-field rice	5,495,314	5,027,389	384,990	10,907,693
	(113,600)	(103,900)	(8,000)	(225,500)
Upland rice	4,906,055	4,469,871	541,648	9,917,574
	(92,300)	(84,100)	(10,200)	(186,600)
Other cereals	35,344,792	31,270,663	33,641,521	10,025,697
	(704,900)	(623,700)	(670,900)	(1,999,500)
Total	296,374,778	279,126,024	211,288,536	786,789,338
	(7,775,000)	(7,341,300)	(5,533,800)	(20,650,100)

79 Kaoliang

Kaoliang, or sorghum, being not only the staple food of the native population, but the principal grain food of numerous animals engaged in farm work, the major portion of the cultivated land of Manchuria has been devoted for centuries to the cultivation for this grain, and its production surpassed even the celebrated Manchurian bean. But the tremendous growth of demand for beans in the world market caused bean cultivation gradually to encroach on the premier position held by kaoliang, and today about 33 per cent. of the cultivated area is devoted to beans, and 26 per cent. to kaoliang. Less than ten per cent. of the annual production of kaoliang is sold outside Manchuria. The export of this product in 1927 amounted to about 8,200,000 piculs, ninety per cent. of which went to China proper and the rest to Japan and Europe. This cereal is largely used in China for foodstuff, spirit distilling, and cattle-feed. In Japan, the import of this Manchurian cereal is

gradually on the increase as raw material of foodstuff manufacture, especially for cornstarch, and live stock feeding.

80 Soya Beans

The story of the Manchurian bean is a striking romance in economic history. The Japanese, though naturally regretting the loss of the Liaotung, the "legitimate fruit" of the Sino-Japanese war, found some compensation in the discovery of the Manchurian bean, which revolutionized the fertilizer industry and became a substitute in the Japanese rice field for the dry herring fertilizer then extensively used. Ever since, the Japanese has been the heaviest purchaser of the Manchurian bean. The first trial shipment of this legume was made in 1908 by the Mitsui Firm, being sent from Dairen to Liverpool, and this was the beginning of a new industry in England, Germany, Denmark and Holland. The major portion of the beans destined for England was for the mills at Liverpool and Hull; for Copenhagen, Denmark, and Rotterdam and Amsterdam, Holland. Germany's consumption subsequently became greater than all, and this, though interrupted during the European war, will soon recover. At the time of the universal shortage of food during the European war, the Manchurian bean played a very important part in the world's food supply.

The demand for the Manchurian bean is ever increasing. Beans and beancake imported by Japan, as foodstuff or fertilizer, are today helping in the solution of the national food problem.

The influence of the Manchurian bean on national economy is remarkable. Denmark was more than self-supporting in the production of cereals, specially wheat, until thirty years ago. But Danish products found themselves unable to compete with American large-scale production, even in the home market. Aided by the Manchurian bean, the Danes turned extensively to live stock breeding. The bean is imported, the oil extracted and used for manufacturing margarine (vegetable butter), soap, etc., while the residue of cake is extensively used as feed for live stock, which totaled as many as 18,524,000 head in 1926, besides many million head of poultry. The consequence was the development of an enormous export trade in animal products, butter, cheese, bacon, ham, eggs, and also live stock. The value of this great trade is some 1,027 million kroner, or more than 70 per cent. of Denmark's total export. Holland, to some extent, is in a similar position.

Regarding the quality and quantity of the beans, the Manchurian

Soya Beans being unloaded at the Railway Yard of Changchun Station.

The
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product possibly surpasses that of any other country. Beans can be grown in the central and northern parts of the temperate zone, in which lie North America, the northern part of Japan, Korea, and North China. That the Manchurian beans have come to occupy such an enviable position is due entirely to the suitability of Manchuria, South and North, for bean cultivation, in regard to both climate and soil. The average production per acre is 20 bushels in Manchuria, while it is 18 bushels in Japan, 18 in the United States, 13 in Korea, and 14 in China. The aggregate return of world production was in 1925 estimated at 251,796,000 bushels, of which the Manchurian product amounts to 130,548,000 bushels, or 52 per cent. of the total. While bean production in other parts of the world is rather at a standstill, production in Manchuria is increasing each year, and the annual return for 1927 was estimated 189,992,272 bushels. That is to say, the production of Manchurian beans may now be over 54 per cent. of the world production. The following table shows production in the world's bean zones in 1925:

Country	Under cultivation acres	Annual production bushels	Production per acre	Percentage to world production
Manchuria	6,460,465	130,548,270	20 bushels	52
China proper	5,348,837	76,793,100	14 „	30
Japan	990,033	17,580,026	18 „	7
Korea	1,874,137	23,762,176	13 „	10
U. S. A.	176,512	3,112,680	18 „	1
Total	14,849,984	251,796,252		100

The reason why the Manchurian bean commands world-wide popularity is the actual value of this staple as foodstuff, feed for live stock, fertilizer, and as raw material in various chemical industries. It contains a higher protein content, i. e., 40%, fat 17%, nitrogen free extract 22%, water 8.5%, ash 5.5%. Of course, the constituents vary more or less according to locality of plantation, kind, and years when grown. Manchurian beans are divided into four classes according to colour — yellow, white eye-brow, green, and black. The chemical composition of these beans, according to analyses made in 1927 by the Central Laboratory at Dairen is as follows:

	Moisture	Crude Fat	Crude Protein	Crude Fibre	Nitrogen Free Extract	Crude Ash
	%	%	%	%	%	%
Yellow	11.06	18.19	39.94	5.20	21.41	4.30
Black	11.96	14.74	41.00	5.34	23.01	4.20
Green	8.13	18.96	40.12	5.45	22.54	4.80

81 Other Staple Products

Staple produce other than grains in Manchuria are flax, tobacco, wild cocoons, and raw cotton.

Cultivation of flax in Manchuria was primarily to obtain linseed oil, or Tamatzu oil, as it is called by the Chinese. The districts raising flax for the purpose of obtaining its seed are mostly in the level lands of the Liao and Sungari valleys. Flax is grown for the sake of its fibre in the hilly districts of the eastern parts of Mukden and Kirin provinces. From the fibres are made nets, ropes, and coarse cloth, the waste being utilized for making native paper.

Tobacco is cultivated to a fair extent in Manchuria. The aggregate production was recently estimated at 42,000,000 kin, or 56,000,000 pounds a year. The native tobacco is of inferior quality. In the year 1927, Manchuria exported tobacco to the value of 2,500,000 Hk. Tls., and imported tobacco valued at 11,000,000 Hk. Tls.

Wild cocoon culture for making Tussah or wild silk possibly dates back about one hundred years, when sericulture was first introduced by immigrants from Shantung province. The southern part of Mukden province, in particular, the so-called Liaotung Peninsula, is noted as the most flourishing center of this industry, Antung and Kaiping being the principal distributing markets. No reliable statistics are available concerning wild cocoon production. The annual output in Mukden province is estimated at about 230,000 baskets, or 7,600,000,000 cocoons, valued at about 11,000,000 yen.

82 Live Stock

The fame of Manchuria and Mongolia was originally based upon horse-breeding, the staple industry of the people who achieved almost a world-wide empire under the great Kublai Khan. While the early Manchu people dominated the country, stock-farming was their chief occupation. With the entry of the Chinese, the rich pastoral lands were gradually put under the plough, particularly in South Manchuria. Yet today, a shadow of the old pastoral age is visible in the western part of Amur province and on the Mongolian frontier, where the inhabitants are still devoted to cattle breeding. The Chinese farmers in Manchuria, however, generally keep large numbers of oxen, horses, mules, and donkeys, for their farming and

carrying-trade. Sheep and pigs are also extensively raised in Manchuria and Mongolia. The following table is an estimate of the number of live stock in Manchuria in 1927:—

	Mukden	Kirin	Amur	Total
	head	head	head	head
Cattle	516,370	369,630	605,400	1,491,400
Horses	754,000	706,600	964,600	2,425,200
Sheep	429,000	161,100	1,789,800	2,379,900
Swine	3,813,500	1,926,600	1,478,700	7,218,800
Total	5,512,870	3,163,930	4,838,500	13,515,300

In addition, there are 810,000 horses, 1,120,000 cattle, 2,000,000 sheep, and 1,000,000 swine in Eastern Inner Mongolia.

The following are rough estimates of domestic animals slaughtered annually in Manchuria and Mongolia:—

	Manchuria	Eastern Inner Mongolia	Total
	head	head	head
Cattle	62,000	220,000	282,000
Sheep	93,000	50,000	143,000
Swine	2,645,000	140,000	2,785,000

The quantities of the hides and skins marketed annually are estimated as under:—

Cattle hides	245,800
Horse & mule hides	339,700
Donkey hides	34,600
Sheep skins	350,000
Goat skins	470,000
Total	1,440,100

83 Model Farms and Other Improvement Enterprises

Farming methods in Manchuria have changed little in many centuries. The native farmers are slow in selecting better seeds or seedlings, improving the method of manuring, breeding improved cattle, or reclaiming virgin lands.

Since the Japanese advent in Manchuria, the most energetic steps have been taken to improve agriculture by the establishment of model farms, live stock breeding stations, and seedling nurseries in the Railway Zone and Leased Territory. This has stimulated the Chinese in some degree, and agricultural experimental farms have been established in the suburbs of Mukden, Kirin and Tsitsihar, where provincipal govern-

ments are located. Chinese schools of agriculture were also established in Mukden and Kirin, in addition to a botanical garden and seedling station in Mukden. The Russians also have established agricultural experimental farms in Harbin, Anda, and Jeh-hu, along the Chinese Eastern Railway.

Soon after the establishment of the Kwantung Government, organic regulations relating to the creation of the Kwantung Agricultural Experimental Farm were issued in November, 1906 with the object of improving agriculture, cattle breeding, the distribution of better seeds and seedlings, sericulture, etc. The first Experimental Farm was established in 1907 in the present Central Park of Dairen; it was moved to Shakako in 1918, and again shifted in 1924 to Chinchou, where the farm was much enlarged, and now occupies 206.73 acres. The directors first paid attention to the improvement of fruit trees and vegetables, which were degenerated. Seeds and seedlings of peaches, apples, pears, grapes, cherry and other fruit trees of Japanese or American origin were experimented with, and apples specially were found well adapted to the Leased Territory. The work of the Experimental Farm gradually stimulated fruit cultivation among the Japanese and Chinese. The demand of the large population of Dairen, Port Arthur and other cities along the railway for fruits and vegetables further encouraged the cultivation of fruit trees. From 1910 to 1926, more than 590,000 apple, pear, peach, grape, and cherry seedlings were distributed among these cultivators. Today more than 9,615.38 acres of orchard are under cultivation in the Leased Territory, and the annual product is valued at over 300,000 yen. By the establishment of a sericultural experimental station and sericultural training school, these industries have been encouraged. More than 4,000,000 improved mulberry trees, and more than 20,000 sheets of silkworm eggs were distributed during the past fifteen years. Today more than 800 families engage in sericulture, and the output amounts to 1,224.63 bushels.

The South Manchuria Railway Company also participated in the agricultural improvement of the Railway Zone. In 1913, an agricultural section was created in the Public Works Department, and ever since experimental stations and nursery farms have been established at several points along the railways. The experimental station established in 1913 at Kungchuling, 400 miles north of Dairen in the heart of Manchuria, has appropriated 522.69 acres, and more than 500,000 yen has been invested in buildings, equipment, implements, etc. Work is continually conducted to ascertain what possibilities lie in improving the

Agricultural Experiment Station at Kungchuling, South Manchuria.

Experimental Tobacco Plantation at Fenghuagcheng Model Farm.

Experimental Kaoliang Plantation at Kungchuling.

The Berkshire Pig brought to Manchuria for Breeding Purposes.

The Merino Sheep imported for Breeding Purposes.

Native Pig of Manchuria.

Mongolian Sheep.

Cross-Bred of native Pig with the Berkshire.

Cross-Bred of Mongolian Sheep with the Merino.

breeds, and increasing the propagation of, the principal agricultural products and live stock.

Among many experiments, most serious attention has been paid to improving the Manchuria bean. After a series of experiments, this station succeeded in obtaining, by means of selection, four superior kinds of beans, up to 1921. Experiment further continued, and it has been finally advanced to two best kinds which have been adopted as the standard of the improved beans. By the adoption of the improved seed-beans, an increase by 10 per cent. or more, it has been ascertained, can be gained in production. From these beans, more than 8 per cent. of oil can be obtained. In 1922, a nursery farm for the improved seed beans, about 174 acres in area, was laid out at Changchun and Kaiyuan, with a view to supplying the improved seed to a more extended area further from the Railway Zone, eventually to cover the whole of Manchuria.

The main station has conducted experiments in the selection of wheat since 1915. Through more than ten years' efforts, the improved breed did not increase more than four per cent. in production. Experimental work in this cereal still continues. The station has found there are greater prospects for improving wheat in North Manchuria than in the South.

Rice cultivation on paddy land in Manchuria is comparatively new, and there is very limited cultivation of upland. Cultivation has become very popular since the Japanese arrived in Manchuria; specially as the Koreans are migrating in great numbers and are now playing an important part in paddy cultivation. Seed transferred particularly from the northern part of Japan, was tested at the station, and finally seven kinds of seed rice were selected as the standard of the improved rice. The improved rice yields 30 per cent. more than the native variety. In districts where paddy land is limited on account of the difficulty of irrigation, experimental work has also been conducted for the improvement of upland cultivation. With several kinds of seed from the northern part of Japan, experimental tests in this line have been conducted since 1915. Four improved kinds were finally selected, and they yield 40 per cent. more than the native variety.

With regard to stock farming, the station set about improving sheep and hog breeding, the native breeds of which were in a degenerated condition. By crossing a superior Merino breed imported from abroad with the native Mongolian a fixed cross of the superior stock has been obtained, yielding wool of better quality and larger

quantity. Similarly with improving native hogs by crossing with the superior Berkshire breed. Improving the Mongolian pony and cattle has also been effected at this main station.

The branch station was established in 1913 at Hsiungyaocheng, where the cultivation of rice, fruit, cotton, and vegetables is carried on. Sericulture is also tested at this station. Experimental tobacco cultivation of American (specially yellow Orinoco), Japanese, and native leaf proceeds at the Experimental Farm in Fenghuangcheng on the Antung-Mukden line. It was proved the American breed especially can be acclimatized in these localities and yield greater production than the native plant.

Another experimental farm was established in 1916 at Paiyintala, the gateway to Inner Mongolia, a distributing center for Mongolian products. The work consists of improving beans, kaoliang, millet, native flax and medical plants, and hogs by crossing with foreign breeds. Several years after the establishment of these stations, they were able to distribute improved breeds and seedlings.

Distribution was commenced in 1924 by various experimental stations and farms of the S. M. R., with the following results up to 1928:

Improved soya bean seed	17,100 bushels
Improved paddy rice seed.....	6,850 „
Improved sheep	608 head
Improved hogs.....	261 „
Improved fruit-tree seedlings.....	200,000 saplings
Improved mulberry tree seedlings	1,386,000 „

In addition, over 32,500,000 saplings were distributed free of charge for afforestation purposes.

To the Experimental Station at Kungchuling and its branch station at Hsiungyaocheng, agricultural schools for Chinese students are attached. These students are educated and trained free of all charge for tuition and boarding.

VII MINING, FORESTRY, FISHERY

84 Natural Resources

Manchuria as a whole is still rich in natural products. Mineral, timber, and marine products may be found more abundantly in this region than in other parts of China. While most of the mountain ranges and hills in China proper were denuded many centuries ago, even before the Christian era, Manchuria was "virgin land" until very recently. It was in the distant past the hunting field of Manchuria tribes and its possession later became a continuous cause of conflict among the tribal kingdoms which fought for supremacy. After the Manchu Dynasty had unified China proper, their rulers treated this region as extramural and kept it as "forbidden land," the exploitation of which, not only to the outside world, but more particularly to the Chinese themselves, was denied.

The aggregate forest areas in Manchuria have been roughly estimated at as much as 36,235,268 cho or 88,798,872 acres — the standing timber at about 149,918,085,300 cubic feet. Among mineral products, coal is most important. The deposits of this important mineral in South Manchuria are estimated at 1,200,000,000 tons, in addition to several hundred million tons in North Manchuria. The coal deposits in Chihli, and specially in Shansi province, are said to be far surpassed by those in Manchuria. Iron deposits in Manchuria are roughly estimated at 400,000,000 tons, mostly in South Manchuria.

Manchuria, though it constitutes a part of the Asiatic continent, has a comparatively long coast line, extending 976 miles, or 855 nautical miles, from the mouth of the Yalu in the east to Shanhaikwan, where the Great Wall of China joins the waters of the Gulf of Chihli. Its southern part being a large peninsula exposed to the Gulf of Chihli and the Yellow Sea, it should be favoured with marine products. Furthermore, several large rivers — specially the lower reaches of the Sungari and the Hurka in the north, and Liao and Yalu in the south, have fresh-water fish. Although fish products do not amount to significant figures as yet, the salt production today totals more than 900,000,000 pounds a year.

85 Forestry

It has said that until a few hundred years ago the regions dominated by the Khingan and Changpai mountain ranges and their spurs were thickly timbered, forming, as a Manchu Emperor expressed it, "Seas of Trees." The timber resources are richer in the Amur province where are the Great and Little Khingan ranges, and in Kirin province where is the northern part of the Changpai range, which is the watershed of the Sungari, the Hurka, and the Tumen rivers. Mukden province once had many rich forest areas, but these no longer exist, except on the mountain sides of the upper reaches of the Yalu river.

The Manchurian tribes in their pasture stage, in order to protect their cattle and herds from the attacks of wild animals, destroyed the forests. The Chinese entered Manchuria mostly as farmers, who created arable lands by firing the forests. Today most of the hills over the greater part of Mukden province are bare and farmers use the bush and stalks of kaoliang and Indian corn for heating purposes. With the railway penetration in Manchuria, the Russians became very active in lumber undertakings, especially for the supply of railway sleepers and fuel for the locomotives. Wanton spoliation of the forests thus continued in recent times to the serious denudation of the land.

When the Japanese arrived in South Manchuria, mountain and hill were practically bare, and they took the initiative in the work of afforestation in many areas in the Leased Territory and the Railway Zone. More than 143,000 acres were afforested in the Leased Territory up to 1927, the planted trees aggregating over 80,000,000, while more than 32,500,000 saplings were distributed for afforestation purposes in the Railway Zone by the S. M. R.

But the sylvan wealth of Manchuria is still great, and the land possesses many valuable forests. They are mostly found in the mountainous north and east. These forest areas are estimated as follows:—

Forest District	Areas in acres	Present estimate of timber in cubic feet
The right bank of the Yalu and along the Hun River	2,403,889.1	3,623,326,800
Upper parts of the Sungari Valley	3,521,146.4	8,740,360,000
Tumen Valley	2,040,295.5	4,204,008,000
Hurka Valley	1,556,060.3	4,209,509,000
Lalin Valley	1,553,141.6	3,004,898,000
Along the C. E. R. Eastern section	5,967,754.7	8,982,965,500
Sanhsing District	12,941,704.6	26,153,018,000

A Glimpse of the Yalu Forest.

Rafting on the Yalu River.

A Flotilla of Lumber Rafts on the Yalu.

The Forest in Kirin Province.

Logging for Railway Sleepers.

On the Upper Sungari River — the Timber Rafts.

Birch Forest of North Manchuria.

Felling a Larch Tree in North Manchuria.

Preparing Kindling Logs for Locomotive Consumption.

Great Khingan Range	34,308,680.0	56,000,000,000
Little Khingan Range	24,506,200.0	35,000,000,000
Total	88,798,872.2	149,918,085,300

86 Timber Species

From the standpoint of the dendrologist, certain forests of Manchuria belong to the northern part of the temperate zone. The principal ones, however, belong to the frigid zone, more or less similar to the Hokkaido Forests, Japan, but with a few exceptions. Some three hundred species of trees are known in Manchuria. Of these, eight are needle-leaved trees, or conifers, and twenty-one broad-leaved varieties. Of the conifers, Korean pines are distributed most extensively through the east and northeast of Manchuria. They live longer than any other trees in the Manchurian forest; and often grow to several feet in diameter, reaching a height of more than a hundred feet. Next to the Korean pine, the species of larch, Laris dahurica, grows straight and tall, challenging the supremacy of the Korean pine in any places. Fir and spruce are found in abundance. Among broad-leaf trees, there are several kinds of oak, the pointed oak, toothed oak, and bearing oak, the elm, birch, maple, walnut, lime, willow, acacia, and poplar. The foregoing are the principal denizens of the forest. Forests of birch are peculiar to North Manchuria, and they will be found intermingled with other forest growth. Birch forests are found along the Chinese Eastern Railway, and over the Khingan ranges. The principal timber in the Khingan ranges are the larch, birch, and red pine, besides the Siberian pine, and yellow and black alder.

87 Lumber Undertakings

Lumbering on a large scale in Manchuria was not undertaken until a little before the Russo-Japanese war, when a Russian corporation "for the pupose of exploiting the forests in the Yalu river basin" was organized in the spring of 1903 under the direction of Bezobrazov with the special sanction of the Czar. The activities of this concern on the Korean side of the river became one of causes precipitating the outbreak of the Russo-Japanese war.

By the additional agreement attached to the Peking Treaty of December 22, 1905, the Chinese Government consented to the formation of a joint stock forestry corporation financed by capital defrayed by the

Japanese and Chinese Governments, for the purpose of exploiting the Upper Yalu forests on the Chinese side. A sequel to this understanding was another agreement concluded on May 14, 1908, by which a company called the Tsai-mu Kung-ssu was organized with a capital of 3,000,000 Chinese dollars. The term of the company's rights was to extend for twenty years, which period might be extended if agreeable to the Chinese Government. The company, maintaining its head office at Antung, came into the existence in September of the same year, and soon engaged in felling, rafting, and trimming lumber.

Chinese officials exploited the forests about the eastern branch of the Upper Sungari, south of Kirin prefecture and extending to the Changpai range. Japanese capitalists at first participated in this business. Quite a number of Japanese corporations, in the post-war boom days, entered this field, occasionally in partnership with Chinese concerns at Kirin and Changchun. Most of them, however, met failure through financial difficulties and occasional floods and other calamities.

Exploitation of the Khingan forests was first carried out in 1914 by a Russian concern, the Shefchenco Brothers. In 1921, it became a joint enterprise with Japanese, its capital being increased to 4,000,000 Chinese dollars. This Russo-Japanese concern was again extended in 1922, with Chinese, Japanese and Russian capital, under the name of "Cha-mien-tsai-mu Kung-ssu," the capital stock amounting to 6,000,000 Chinese dollars.

The following table in cubic feet shows the estimated lumber output in Manchuria, the export of Manchuria lumber, import of foreign lumber, and the amount of consumption in Manchuria, for the four years ending 1926:—

	Output and Import				
	Output	Import	Total	Export	Balance or Home consumption
1923	47,713,140	9,354,640	57,067,780	29,315,100	27,752,680
1924	48,663,810	5,197,650	53,861,460	25,388,090	28,473,370
1925	49,984,410	7,359,440	57,343,850	20,618,620	36,725,220
1926	33,766,960	7,852,220	41,619,160	11,215,190	30,403,960

88 Mining

Minerals in Manchuria, though limited in variety, are abundant. According to the survey of the Geological Institute of the South Manchuria Railway Company, "coal, iron, magnesite, fire clay, and talc are most important in quantity of deposits; and second to these are gold, copper, lead, barytes, felspar, and asbestos."

89 Coal

Coal is the most important mineral product in Manchuria. Deposits are roughly estimated at 1,700,000,000 tons. About 500,000,000 tons are in North Manchuria, and 1,200,000,000 tons in South Manchuria, the deposit at Fushun being estimated at 950,000,000 tons. The Fushun and Yentai mines are operated by the South Manchuria Railway Company, and the gross annual output of both areas is now 7,000,000 tons. Fushun coal, belonging to the tertiary period, is bituminous, containing much volatile matter, and is best fitted for the production of gas. Penhsihu coal mine is located on the Antung-Mukden line of the South Manchuria Railway Company, about forty-seven miles east of Mukden. This is operated side by side with iron mining by a Sino-Japanese undertaking with the capital of 7,000,000 Chinese dollars. Its annual output is in the neighbourhood of 400,000 tons, of a quality suitable for coke for the ironworks. Coal-fields at Patao-kou and Pe-piao, along the Takushan-Paiyintala Railway, are worked by the Mukden Government, each mine producing about 7–80,000 tons a year.

Regarding to deposits in North Manchuria, there are several mines along the Chinese Eastern Railway. Zalainor, Mu-ling, and Ho-li-kwang, are important. The Zalainor coal-field is to the northwest of Zalainor station between Manchuli and Hailar stations on the Chinese Eastern Railway. This has been operated by Russians since 1903 under contract with the Chinese Eastern Railway, which owns it. The mine formerly produced 468,000 tons a year, but today the output is 200,000 tons. About 80 per cent. is taken by the Railway for its own use, the balance being supplied to the markets along the line. Mu-ling coal-field is located in the eastern section of the Chinese Eastern Railway. It was recently improved with railway connection, and today produces about 200,000 tons a year. Both the Zalainor and Mu-lin mines supply their product chiefly to the Chinese Eastern Railway. Ho-li-kwang coal field located 500 kilometers north of Harbin, produces 12,000 to 15,000 tons a year. This coal is possibly the best and the only coal which can be coked in North Manchuria, where most of the deposits are of inferior bituminous grade.

90 Iron Mines

Iron ore in Manchuria is mostly found in Mukden province, where the total deposit is estimated at over 400,000,000 tons. Iron in Manchuria

mostly exists in ferruginous rock. The ores are generally hematite, and the proportion of iron they contain is 68–70 per cent. in the richer ore, while the poorer runs to 34–40 per cent. The iron mine is not new, and was worked by natives on a very small scale, wood being used as fuel. But two mines today stand out prominently, Penhsihu and Anshan. The former produces about 50,000 tons of pig-iron a year and the latter 200,000 tons. The modern industry at Anshan has been already treated in the chapter headed The South Manchuria Railway Company.

The iron mine at Penhsihu is not new. The Chinese worked it in a primitive way as early as 1833, and the Russians planned operations just before the outbreak of the Russo-Japanese war. After the war the late Baron Okura took control, and this firm is now working it in co-operation with Chinese interests. The mine is operated side by side with the coal mine.

91 Gold

Gold was possibly the only metal extensively mined before the entry of foreigners and foreign capital into the Manchurian mining field. As Manchurian gold is principally alluvial, it can be mined with little effort and capital. This mineral was very abundant in North Manchuria, especially in Amur province, which has been known among Chinese under the name of "Gold-Producing Land" for centuries. Especially are rich deposits found in the far north, along the reaches of the Amur and the Sungari. In Kirin province extensive alluvial gold deposits are still found along the tributaries of the Yalu river and the upper reaches of the Sungari. In Mukden province, there are few beds which justify working on a large scale. On the whole, it may safely be said that gold no longer exists in any significant amount in South Manchuria. Most of the important gold mines were government enterprises, but concessions were often granted to Chinese private individuals. During the Russian regime, a number of concessions were given to Russians in the Amur and Kirin provinces. A gold mine concession in Hailung prefecture, Mukden province, was given in 1911 to an American, English, and Chinese joint undertaking. But as the result of investigation made by the experts of this syndicate, it was decided to abandon the concession. By the exchange of notes of May 25, 1915, the Peking Government gave the Japanese a gold mining concession at Huatien, Kirin province. For the development of gold mining and forestry in Amur and Kirin provinces, a loan of 30,000,000

yen was furnished to the Chinese Government in August, 1918 by a Japanese banking syndicate on the security of mining and forestry property. But actual work has not yet been started. It is a matter of regret that it is impossible to give figures of gold production in Manchuria owing to the entire absence of reliable statistics.

92 Fishery

Although the coast line of Manchuria from the mouth of the Yalu on the east to Shanhaikwan extends 976 miles, and faces the Gulf of Pechihli and the Yellow Sea, fishery had not developed until the Japanese came to South Manchuria. On the sea near Hsiungyaocheng, 110 miles from Dairen, several hundred Chinese fishing junks used to swarm after the "yellow flower fish" in May, each year. Their catch for a season of 31 days is said to have amounted to more than 5,000,000 pounds, valued at 300,000 yen. During the Russo-Japanese war a number of Japanese fishermen worked the coast of Dairen and Port Arthur in order to supply the army. Since the Japanese administration was started in Kwantung, the industry gradually developed, specially with the introduction of improved appliances. Today, men engaged in the fisheries in the Leased Territory number 21,029 Chinese and 285 Japanese (figures for 1927), and the annual catch was valued at 3,514,144 yen, of which 2,693,194 yen was the Chinese share. Figures relating to the industry outside the Leased Territory can not be obtained. As shown in the Customs returns, Manchuria exports marine products, except salt, to a negligible amount, i. e. 528,000 Hk. Tls., but imported more than 2,590,000 Tls. in value chiefly from Japan and Korea. As to fresh water fisheries, numbers of natives work all the large rivers, notably the Liao and Yalu in South Manchuria, and the lower reaches of Sungari and its tributary the Hurka in North Manchuria. The annual catch in North Manchuria is estimated at as much as 1,100,000 lbs.

93 Salt Manufacture

The manufacture of salt is one of the important industries in South Manchuria.

All along the coast of Mukden province, districts around Newchwang, Kaiping, Fuhsien, and the Japanese Leased Territory of Kwantung are noted for the industry. The old method of salt manu-

facture was by boiling. It is said the method of solar evaporation was first introduced into China by a Roman Catholic priest in the early part of the 18th century. Along the coast of the peninsula of Mukden province, commonly called Liaotung Peninsula, washed by the Gulf of Pechihli and the Yellow Sea, where the sea-water is much brinier, the rainfall is small and the dry wind from Mongolia makes evaporation speedy, the product here being particularly fit for manufacture by the evaporation method. Manufacture outside the Leased Territory has been conducted by the Chinese Government and individuals for many years. The total area used as brine pans was estimated at about 14,000 acres, and the annual production from 250,000,000 to 400,000,000 pounds. Salt being a sort of monopoly of the Chinese Government, it is forbidden to import into Manchuria and to export outside, except to Mongolia and the Jehol district.

Salt manufacture in the Leased Territory was at one time very extensively conducted. But maladministration and warfare caused the industry to wane, and at the time of the Russo-Japanese war most of the salt fields were waste. Under the Japanese regime this industry has made remarkable development as the annual production was increased to 498,561,700 kin or 648,130,210 pounds in the fiscal year ending March, 1927, from 45,971,400 kin in the fiscal year 1907, i. e. more than ten times during twenty-one years. The following table shows the salt production in the Leased Territory and exports:—

Year	Manufactured by Japanese	Manufactured by Chinese	Total
1919	150,740,280	112,177,860	262,918,140
1920	171,614,400	137,015,460	308,629,860
1921	123,218,580	107,359,900	231,078,480
1922	181,279,740	142,609,620	323,889,360
1923	140,657,520	107,556,816	248,214,326
1924	250,100,880	172,499,700	422,600,580
1925	256,514,700	159,922,620	416,437,320
1926	317,040,860	181,520,860	498,561,720
1927	264,315,300	127,773,600	392,088,900

The greater percentage of this product is exported to Korea and Japan proper.

VIII MANUFACTURING INDUSTRY

94 Industrial Development

Before the building of railways by Russians and Japanese, the Chinese in Manchuria were engaged almost entirely in agricultural pursuits, or primitive manufacturing industries of which agriculture was the basis. They pressed oil from the soya bean for food and light, distilled alcoholic drinks from kaoliang, ground flour, made coarse silk from the wild cocoon, and produced other necessities of life as a by-product of farming. In those days Mongolian horses, mules, and donkeys were the power utilized for manufacturing these staples.

The Russians first introduced to North Manchuria modern manufacturing methods in flour-milling, sugar-refining, the dressing of lumber, etc. Similarly, it was the Japanese who opened up South Manchuria industrially with their capital and skill. The Chinese, always alert to their own interest, were gradually stimulated by the rise of new industries in the foreign concessions, and their industry made a certain degree of improvement. The industrial development in Manchuria, specially in the Japanese Railway Zones and Leased Territory being fostered by the South Manchuria Railway and the Kwantung Government through the Central Laboratory, the Geological Institute, Agriculture Experimental Stations, Model Farms, Research Offices, and similar institutions, the growth of manufacturing industries was significant, particularly during the latter part of the European war. But the general depression after the war seriously, though temporarily, affected the industries in all Manchuria, particularly those established during the war. The depressed industries, however, are now gradually on the road to recovery.

The following table taken from the statistical return of the Kwantung Government will give some idea of the industrial progress made during the last twenty years within Japanese jurisdiction in Manchuria, including Railway Zone and Consular districts:

Year	No. of Factories	No. of Workers by Day	Capital Investment	Value of Products
1909	152	—	16,132,101	6,138,792
1914	244	—	24,536,830	20,799,196

1919	450	—	123,571,509	242,882,798
1923	633	8,550,045	200,827,607	136,261,877
1924	658	10,155,288	192,936,596	139,900,726
1925	673	10,805,857	283,546,878	158,765,427
1926	685	13,000,903	301,679,138	174,068,554
1927	750	12,937,316	292,002,302	140,378,528

So far as the manufacturing industry in North Manchuria is concerned, regarding which accurate data are not available, it is reported that there about six hundred factories and mills, of which 147 are bean-oil mills, 62 liquor distilleries, and 52 flour mills.

Dairen is the largest manufacturing centre in South Manchuria, while Harbin is the chief centre in North Manchuria. The former is particularly the centre of bean-oil mills and the latter of flour mills.

Manchuria as yet furnishes only raw materials or semi-manufactured products for further use in manufacture by more advanced countries. As a manufacturing country, however, it possesses certain advantages. It has natural resources in abundance in the form of agricultural and mineral products, besides live stock and other staple products; fuel in the form of coal; and excellent labor in the sturdy coolie type. Furthermore, with its increasing population, and with China proper and Siberia on the South and North, it has markets easily accessible on all sides. Still it is far from being an industrial country in the modern sense, possessing organization, enterprising spirit, technical skill, and backed by ample capital.

95 Bean Oil Mills

Bean milling is one of oldest manufacturing industries in Manchuria, and still today ranks foremost. There were about 447 mills in 1927, and their aggregate product, bean-oil and cake, amounted to over 2,200,000 tons, including 200,000 tons of oil.

The oil mills, called "yufang" by the Chinese, originated several hundred years ago in South China, and were introduced to Manchuria in the middle of the nineteenth century, when hemp seed oil mills at Tiehling and Changchun, then the centre of bean production, commenced bean-oil extraction by adopting the hemp seed oiling process. The crude bean oil, made by primitive processes, was extensively used for cooking and lighting purposes, while the bean cake, the residue of the bean after the oil has been squeezed out, was used as cattle-feed and very little as fertilizer. After the port of Newchwang was opened,

Manchuria bean-cake was sent to South China, where it was extensively utilized as fertilizer for the sugar-cane plantations. As before stated, Manchurian bean-cake after the Sino-Japanese war, found a growing market in Japan. In those days, a number of small mills was established at Liaoyang, Mukden, Tiehling, and Newchwang, the last being the chief market for this product. An Englishman first introduced a steam plant into this industry, installing it in Newchwang in 1896.

After the Russo-Japanese war, bean-oil mills were established by Chinese at Dairen, and several large modern factories were set up by the Japanese. A more efficient scientific method was developed by the Central Laboratory of the South Manchuria Railway Company — the chemical extraction by benzine or benzol — but to date the Honen Bean Mill is the only factory operated on this system. By the improved method practically all the oil in the bean, or more than 14 per cent., can be extracted, while only 10–12 per cent. can be obtained by the expressing system. Old native mills still squeeze out the oil by the wedge process with animal or human power. The screw process, though originated by Chinese, has been improved and fitted for large scale production, steam or electric power being used. Still another process utilizes hydraulic pressure. The Nisshin Oil Mills (Japanese), Dairen, and other Japanese mills, and the Kabalkin Mill (Russian), Harbin, have adopted the hydraulic pressure system.

Among the bean mills in Manchuria, Dairen and Harbin have plants equipped with a comparatively advanced type of machinery, the others being almost entirely old fashioned.

96 Alcoholic Liquor

The distilling of the native kaoliang spirit is reckoned one of the important manufactures. The industry is said to date back to the close of the 17th century, when the civilization of South China made its entrance into Manchuria.

Mukden and Liaoyang were the centres of the distilling industry. The more the population increased, the less profitable became the industry, since a limit was placed by the authorities on the quantity of kaoliang spirit, the object being to preserve the cereal as foodstuff. The industry was then driven to the North, where kaoliang could be obtained more cheaply, and it is now very active in Kirin province.

The annual production in Manchuria is estimated in value at over

2,500,000 yen, of which spirit to the value of 1,000,000 yen is exported to China proper. While the Russians maintain several vodka distilleries and beer breweries in North Manchuria, specially in Harbin, several sake breweries have been established by Japanese in South Manchuria.

As to sake manufacture, the total output for 1927 was 3,626 koku (172,666 American gallons) valued at 250,341 yen. This amounts to 16 per cent. of the total import, which is valued at about 1,500,000 yen.

97 Flour Mills

Wheat flour being the important food of the natives next to kaoliang, flour mills, called "mofung," or grinding houses, are found everywhere in Manchuria. These mills, employing coolie and donkey labor, work on a small scale, but none the less are only next in importance to the bean-oil and distilling industries. Modern flour mills are called "huomo" or fire-mills by the Chinese, as they are provided with machinery and use steam and electricity for motive power. Three modern mills were first established in Harbin by the Russians in 1902, chiefly to supply Russian settlers and soldiers in Manchuria and East Siberia. Modern mills in South Manchuria were first started by Japanese soon after the Russo-Japanese war, but the chief customers were the Chinese. Stimulated by the Russian and Japanese activities in milling, the Chinese gradually entered the industry in co-operation with Russians or Japanese. Russian mills formerly suffered from the competition of the mills in South Manchurian, but the world-wide shortage of foodstuffs during the European war more than enabled them to recover their former prosperity. This favourable condition, however, did not last long, and the industry was unable to resist the American and Canadian product, which found a market in Manchuria after the European war. In 1927, Manchuria imported flour in the value of 7,598,000 taels.

98 Beet Sugar

The climatic conditions and soil in Manchuria are suitable to the sugar-beet plantation. The Mukden Government, when General Chao Erh-sun was Governor, established in 1906 an experimental farm outside Mukden, in which a beet plantation was tested. Encouraged by the satisfactory results, the Governor conceived the idea of establishing a large Sino-Japanese concern for the manufacture of beet-sugar, to which project Mr. Chozo Koike, then Japanese Consul-General at

Mukden, gave support, but the scheme was not consummated owing to the opposition of an anti-Japanese party. Meanwhile, a factory was established in 1909 by Poles at Ashiho, near Harbin, with a capital of 1,000,000 roubles. Two refining machines were installed, which at one time produced several million pounds of refined sugar annually. A Chinese factory was established in 1910 at Hulan, also near Harbin, with a capital of 3,000,000 Chinese dollars, largely through Government aid. During the world-wide shortage of sugar owing to the European war, a large factory organized by Japanese capitalists, including Baron (now Viscount) Shibuzawa and Mr. Magoshi, with a capital of 10,000,000 yen, was established at Mukden in 1916. Beet was to be cultivated over an area of 6,000 acres, from which some 13,000,000 pounds of crude sugar was expected annually. This company enjoyed fair profits for the first few years, but owing to the world wide depression after the late war, it incurred loss, and finally in 1927 suspended operations, as did other factories in Manchuria. Foreign-made sugar imported into Manchuria is on the increase. Imports were valued at over 8,800,000 taels in 1927.

99 Tobacco

As before stated, tobacco is one of the staple products of Manchuria. The annual production of leaf today is estimated at over 42,000,000 kin (56,000,000 lbs.), distributed as follows:—10,000,000 kin (13,000,000 lbs.) in Mukden province; 24,000,000 kin (32,000,000 lbs.) in Kirin province, and 8,000,000 kin (10,666,666 lbs.) in Amur province. The better leaf is raised around the City of Kirin, but most Manchurian leaf is hardly suitable for cigarette making without first being blended with foreign leaf. Cigarette manufacture was introduced by Russians at Harbin, where two firms, "Robert" and "Chiulin," had factories in the days before the Russo-Japanese war. Soon after the war, the British-American Tobacco Company, having factories in Shanghai and Tientsin, invaded Manchuria with their products. In December, 1906, the Tō-a Tobacco Joint Stock Company, organized by Japanese with a capital of 1,000,000 yen (later increased to 10,000,000 yen) established a factory at Newchwang. The British-American Tobacco Company established a factory in Mukden in 1919 and two years later a factory at Harbin. Another Japanese tobacco company, called the Asia Tobacco Corporation, also established a factory at Mukden in 1921, which was later on amalgamated with the above-mentioned Tō-a Tobacco Company. In 1922, a Chinese tobacco factory was

established at Mukden, with capital chiefly furnished by Chinese officials, bearing the name of the Three Eastern Provinces Tobacco Company, which, however, went out of existence in 1924. In the same year another Chinese factory, called the Hua-hua-yen Kung-ssu, was established outside the city of Mukden. Thus Mukden has become a centre of tobacco manufacture. The aggregate sale of cigarettes per year in Manchuria is estimated at over 7,600,000,000 pieces, the greater percentage of which is said to be products of the British American Tobacco Company.

It should be noted that Manchuria exported, in 1927, tobacco leaf and cigarettes in the value of 2,670,000 taels, and imported leaf, cigarettes and cigars in the value of 11,731,000 taels.

100 Fabric Industry

Coarse spinning and weaving of wild silk, cotton, and hemp was an old cottage industry. The modern fabric industry was first introduced in 1919 by a Japanese at Antung, where a wild silk spinning and weaving factory was established. This became later a branch of the Fuji Cotton Spinning Company of Japan. About a hundred wild silk filatures are operated by Chinese on a small scale on the Antung-Mukden line and the main line south of Mukden; Antung, Hsiuyen, Huangfengcheng, Kaiping, Haicheng, and Liaoyang, being centres of this industry. The total output per year is estimated 92,760,000 kin (124,050,000 lbs.), valued at 46,540,000 yen, as shown in the following table:

Manufacturing Districts	Annual Output in Kin	Value in Yen
Antung	12,700,000	6,330,000
Hsiuyen	13,800,000	6,900,000
Kuanhsun	10,300,000	5,230,000
Huangfengcheng	7,310,000	3,755,000
Penhsihu	6,800,000	3,400,000
Kaiping	15,500,000	750,000
Haicheng	9,710,000	4,855,000
Liaoyang	8,750,000	4,375,000
Fuchou	7,480,000	3,740,000
Kwantung Leased Territory	410,000	205,000
Total	92,760,000	46,540,000

Regarding the hemp industry, there are two factories. One is the Manchuria Hemp Manufacturing Company at Dairen, the other the Mukden Hemp Manufacturing Company at Mukden. Their main products

are bags for packing soya beans, kaoliang, etc., and the annual output is about 4,000,000 bags. This, however, is only one-fourth of the total import of gunny bags which number annually 20,000,000.

As to the cotton industry, the first modern spinning mill was put up in 1921 by Chinese at Mukden, with 10,480 spindles. Subsequently, three cotton mills were established in South Manchuria by Japanese — the Manchuria Cotton Spinning Company (31,360 spindles), at Liaoyang in 1923, a branch mill of the Naikai Cotton Company of Osaka (24,000 spindles), at Chinchou in 1924, and a branch mill of the Fukushima Cotton Spinning Company of Osaka (17,664 spindles), in a suburb of Dairen in 1925. There are more than 170 cotton mills on small scale in Manchuria, chiefly run by the Chinese. The total output of cotton goods and yarn per year is valued at 6,500,000 yen, but this is less than one-tenth of the total imports.

In Manchuria and Mongolia, there are abundant supplies of wool and camel hair — practically all being exported through Tientsin. Export of wool from this port in 1924 amounted to 437,486 piculs, valued at 14,457,840 taels, and camel hair 37,821 piculs, valued at 1,801,944 taels. No woolen industry existed until the Manchuria-Mongolia Wool-Weaving Company was organized in December, 1918 at Mukden, with a capital of 10,000,000 yen — a Sino-Japanese joint undertaking.

This mill unfortunately was damaged by fire in June, 1924. Its capital was reduced to 3,000,000 yen, and its activities a great deal checked. During 1927, however, 134,993 yards of woolen cloth, 16,784 blankets, 114,090,500 lbs. weight of carpets, and 17,000 lbs. of woolen yarn were produced. It is of interest to note that Manchuria imports woolen goods and wool and cotton mixed goods to the value of 6,800,000 taels.

101 Ceramic Industry

Activities in civil engineering and building construction, with the development of railway construction and other undertakings in Manchuria after the Russo-Japanese war, stimulated an ever-increasing demand for cement, brick, glass, and other such commodities. The abundant presence of limestone and clay, material necessary for cement manufacture, induced the Onoda Cement Company, of Japan, to establish a branch factory in Choushuitzu, a suburb of Dairen, in July, 1911. The annual output was 149,000 casks in 1910, and this increased to over 750,000 casks in 1927. The Dairen Dolomite Cement Factory

manufactures the better quality of cement, similar to the Portland brand. There are several factories manufacturing lime in Penhsihu, Dairen, and Chinchou, the annual production amounting to over 100,000 tons.

In brick making the Chinese use a gray brick of unchangeable design. The modern brick kiln was introduced by Japanese, and a number of kilns were established during the war-time boom at Dairen, Antung, Mukden, Fushun, Newchwang, etc. Although the activity in this trade was checked by the post-war depression, as in other industries, there are more than 46 factories, including small concerns, and the output is valued at over 1,000,000 yen.

Silicious stone and limestone suitable for the manufacture of glass are abundant in South Manchuria. The Central Laboratory of Dairen has conducted elaborate tests in ceramic manufacture, establishing a special plant for the purpose. Tests proving satisfactory, the plant was handed over in 1918 to the newly-established Dairen Ceramic Factory, which manufactures soda glass, crystal and plate glass. Another factory manufacturing window glass was established in 1925 with a capital of 3,000,000 yen, as a joint undertaking of the Asahi Glass Company, of Japan, and the S. M. R., which uses the Lubbers' cylinder process. The factory has a capacity of about 300,000 cases of sheet glass a year.

IX CURRENCY AND CREDIT

102 Chinese Currency

There are two or three dozen kinds of currency circulating in China proper, and Manchuria is no exception to the evil created by the absence of a uniform system.

The central administration was never strong enough to establish a stable currency. The Central Government, the provincial governments, and private guilds or persons, have each constituted themselves an issuing authority. All issues have circulated indiscriminately side by side, with no fixed rate of exchange. In addition, foreign currencies have prevailed in all the open ports. Moreover, some of the issues are on a copper basis, some on a silver basis, and others again on a gold basis. Confusion reigns. More recently, the indiscriminate issue of inconvertible bank-notes under the authority of military leaders (tuchun) has but added to the currency confusion. In Mukden province alone, the circulation of such paper as that popularly called the Mukden note, in the vernacular, Fengpiao, was estimated in December, 1927 to reach the enormous total of 1,300,000,000 Chinese dollars. Its rate, at that date was 1390 against a hundred silver dollars.

That the Chinese currency "system" is the most complicated in existence needs no emphasis. Many attempts at reform have been made — the first in 1890, when an effort was made to place the coinage on a Western basis. But such schemes in the past simply resulted in additional issues of new currency, since no effective steps were taken to withdraw the old ones. Such a chronic state of monetary confusion is not only prejudical to the economic welfare of the Chinese themselves but inimical to the interests of all peoples trading with China. Great Britain took the initiative by suggesting the creation of a proper coinage system in the Anglo-Chinese Agreement of 1902, and similar proposals were made by Japan, the United States, and other countries in their commercial treaties with China. Several plans for a gold standard were accepted by the Chinese Government to make these promises good, but so far without success. Among these, the adoption of the gold standard was proposed in 1903 by Sir Robert Hart, Inspector-General of the Imperial Maritime Customs, and by Professor Jeremiah Jenks, of the Cornell University, in 1905, by Dr. G. Vissering in 1911, and by Tsao

Ju-lin, Minister of Finance in 1918, but none of them was acted upon. Dr. Vissering's plan was to be carried out, if China could have secured from American, British, French and German banking groups the so-called Currency Loan amounting to £10,000,000, 70 per cent. of which was to be used for currency reform, and the remaining 30 per cent. for development in Manchuria. This loan never materialized, nor was the plan for currency reform acted upon. Tsao Ju-lin's scheme was announced in August, 1918, when the Government issued what is known as the Gold Note Regulations. "Japan was to furnish a loan for currency regulation purposes to China. The proceeds of the loan were to be deposited in the Government banks in China and Japan, and gold-currency notes were to be issued against this reserve, to be used as official Government currency within China." This scheme invited bitter opposition in China, and was finally dropped.

An attempt to adopt a currency reform on a silver basis was made in 1910. But the first Revolution took place in the following year, and the reform measure could not be carried into effect, except for the issue of new coins, the unified "Dragon Dollar," which were soon drawn into the whirlpool of the older currencies and disappeared. Upon the establishment of the Republic, Yuan Shih-kai, the first President of the new regime, caused the creation of a monetary commission with a view to investigating the system which might be adopted to best advantage. The decision was made to adopt a measure of reform on a silver basis, and new National Currency Regulations were promulgated on February 7, 1914. The Regulations vested the Government with the "right of minting and issuance of national currency." The unit of the national coin called the yuan (元) was to contain 6 chien, 4 fen, 8 li (Kuping weight) or 24.17 grammes of pure silver. The circulation of the money should be based on the decimal system, one-tenth of one yuan being called one chiao (角), and one-hundredth one fen (分). The regulations also provided for exchange of older coins, mintage allowance, etc. China expected to carry out this currency reform measure by securing funds through foreign loans, but she was cut off from these sources as the great European war broke out in August the same year. The currency regulations in consequence have ever since remained pigeon-holed, except that the new coin, bearing Yuan Shih-kai's effigy, often called the Yuan Shih-kai dollar, was minted and issued, but could not serve for exchange with older coins, as did its predecessor. In short, all reform measures in the past resulted rather in complicating the currency by adding new issues to the old.

103 Currency in Manchuria

The situation in Manchuria presents no exception to the general disorder characteristic of the currency as existing in China proper.

Each province has currency peculiar to it, or attaches a different value to the same currency. No port or city in the same province has a currency exactly the same as its neighbour's — Antung, Mukden, Newchwang, and Dairen each has a different currency. Harbin, Kirin, and Changchun, in Kirin province, have different currencies respectively. The money circulating today in Manchuria is shown in the following table :—

- Native Currency
  - Coins
    - Copper Cash (Chihchien 制錢), Copper coin (Tungyuan 銅元)
    - Silver coin (Yangchien 洋錢), Sycee (Yinting 銀錠)
  - Notes
    - Government notes (Kuantieh 官帖)
    - Copper coin notes (Tungyuanpiao 銅元票)
    - Silver coin notes (Yangchienpiao 洋錢票)
    - Mukden notes (Fengtienpiao 奉天票)
  - Book currency
    - Kuping tael
    - Haikwan tael
    - Transfer tael
- Foreign Currency
  - Coins
    - Japanese siver yen, Mexican dollar
    - Japanese subsidiary coins
  - Notes
    - Bank of Japan gold notes
    - Bank of Chosen gold notes
    - Yokohama Specie Bank silver notes

Of the native currencies in Manchuria, the hard money, particularly subsidiary or smaller silver coin of less fineness than the standard silver was issued in immense quantities for nearly ten years up to 1916. Since the latter year, when the price of silver rose owing to the European war, the issue of the smaller silver coins was decreased, and the note issue, nominally based on the silver coins, came into prominence. Although measures for removing the financial disturbance in Manchuria caused by chaotic currencies were introduced in 1917 with the co-operation of the Japanese Chamber of Commerce at Mukden, nothing could be carried into effect. Meanwhile one civil war after another took place between North and South, and the note issue was accelerated year by year. The

following table gives an estimate of the varied currency circulating in Manchuria at the end of December, 1927:—

Name of Currency	Amount of Issue	Value in Silver Dollars
Mukden Notes	1,300,000,000 Dollars	93,530,000
Harbin Silver Notes	38,000,000 „	26,600,000
Government Notes of Kirin Province	3,300,000,000 Tiao	19,520,000
Government Notes of Amur Province	3,700,000,000 „	11,200,000
4% Bond issue of Amur Province...	10,000,000 Dollars	3,640,000
Silver Dollar Bank Note of Kirin ...	6,000,000 „	3,540,000
Small Silver Coin Bank Notes of Kirin Province	1,500,000 „	89,000
Sycee kept in Antung	2,500,000 Taels	3,350,000
Transfer Account in Newchwang ...	2,000,000 „	760,000
Silver Dollar	500,000 Dollars	500,000
Small Silver coin	5,500,000 „	4,580,000
Total		167,309,000

In addition to the above, Japanese currency, chiefly bank notes issued by the Bank of Chosen and the Yokohama Specie Bank, which circulate principally in the Leased Territory and the Railway Zone, were estimated at over 49,000,000 yen.

104 Copper Cash

Among native coins, copper cash (Chihchien), round in form with a square hole in the centre, is the oldest coin of China, and is recorded as existing at the beginning of the Chou Dynasty (B. C. 1122–781). Manchu peoples of the Tribal Kingdoms in the twelfth century used copper cash minted by Chinese during the Sung Dynasty. Since the Manchu Dynasty came into existence, this cash bore the characters of the calendar name of each Emperor. Cash first bore two characters — one the Chinese and the other the Manchu. Since the period of Emperor Yung Cheng (1723–36) only two Manchu characters were imprinted on each cash. Chihchien itself signifies official money. Meanwhile Ssuchien, cash made by private guilds or persons, came into existence, besides those brought from China proper, and the old Korean and Japanese cash which were exchanged in the barter trade. In the middle of the nineteenth century, many varieties of cash circulated in Manchuria. The Peking Government issued an order in 1852 to each province to readjust its cash, but the Mukden and Kirin Governments, not easily finding access to copper ore, minted silver coins and printed

silver notes. In 1901, the Kirin Government first started to coin cash on a large scale by establishing four mints to meet ever increasing demand. Since the Kirin and Mukden Governments established official mints and began to produce copper coins after the Western fashion, the circulation of cash has gradually diminished. The closing down of the mints in China proper and later in Manchuria, the exportation of the cash abroad in consequence of the high price of copper, and the inconvenience of cash as money, caused this currency practically is disappear from the towns along the railways except in out-of-the-way places. But the new copper coin and the Government note were originally issued on the basis of this cash, and are still calculated in terms tiao (吊) and wen (文).

105 Copper Coinage

Copper coins, or Tungyuan in the native term, were soon turned out in large amounts by the Government mints of Mukden and Kirin. Amur province received its supplies of copper coin from the Mukden and Kirin mints. The value of this new coin is measured by the old cash, and has inscribed on it 5 cash, 10 cash, or 20 cash according to size. The coin, being more regularly minted than the old cash, soon became popular. At one time it circulated in large amounts and constituted an indispensable currency in Manchuria. But it was not long before the greed for mintage profit resulted in debasing its value. The Peking Government in February, 1908, ordered the closing of the provincial mints with a view to putting an end to the evil practice. Subsequently the Mukden and Kirin Governments stopped the further minting of the copper coin. But the Mukden Government resumed the minting in September, 1908, and held a monopoly of it, supplying the whole to Manchuria, particularly after the Republican regime was inaugurated. Up to 1917, the Mukden Government issued 232,000,000 of these coins. But large quantities were taken home each year by coolies from Shantung in the form of savings, and, further the Tungyuan-piao (note) nominally based on this copper coin and issued by the Amur and Mukden Governments, resulted in reducing the supply of the coins in Manchuria to an extremely small amount. Today they are used as small change.

106 Silver Coins

Among the native currency the silver coin called the Yangchien, is the most important in Manchuria. This coin, which is made after the western model, closely resembling the Mexican or Japanese coin, was first minted in 1889 in Canton by the Viceroy Chang Chih-tung. In the following year the Peking Government issued an edict, by which the Provincial Governments were permitted to mint silver coins and in which the denomination, fineness, and weight were defined. There are coins of five denominations, e. i. 1 yuan (元) (one Chinese dollar), 5 chiao (角), 2 chiao, 1 chiao and 5 fen (分). The yuan, which should have the fineness of 900, was regarded as the standard coin, while the rest, of finenesses of 860–820, were regarded as subsidiary.

In Manchuria, the minting of new silver coins was commenced by the Kirin Government in 1901 and by the Mukden Government in 1905. As in the case of China proper, the provincial governments in Manchuria, with an eye to the greater profits accruing, were anxious to mint the subsidiary rather than the standard coin. The following table shows the number of coins minted up to the end of 1917 by the above-mentioned provincial governments:—

Denomination	No. of coins minted at Mukden	No. of coins minted at Kirin	Total	Minted Amount in Yuan or Dollars
1 Yuan (一元).....	11,709,259	4,734,717	16,443,976	16,443,976
5 Chiao (五角).....	—	12,719,553	12,719,553	5,781,615
2 Chiao (二角).....	249,219,912	22,508,562	271,728,473	49,404,995
1 Chiao (一角).....	1,078,450	953,875	2,032,325	184,847
Total				71,815,433

From the above table it will be seen that 55,000,000 dollars of subsidiary coins have been minted against 16,000,000 dollars of the standard. Indeed, the relationship of standard and subsidiary coinage originally intended for the different grades of the silver coins could hardly be maintained under such circumstances. Having its own quotation in the market, each gradually became an independent currency. Of these new silver coins, yangchien, one yuan silver, is called tayangchien (大洋錢) signifying large yangchien, and the rest of smaller denomination hsiao-yangchien (小洋錢) signifying small yangchien. The tayangchien has circulated but little in Manchuria owing to the smallness of its issue, saving been driven out of circulation by the smaller coins. Those which circulate in Manchuria are mostly the hsiaoyangchien, especially of the 2 chiao denomination; these are extensively used in Mukden province.

But the financial embarrassment of the Mukden Government and the world-wide appreciation in the price of silver, made it impossible further to issue even these small coins, and naturally prepared the way for the issue of more paper notes, nominally based on the hard coins, but actually without reserve.

107 Sycee

The sycee is a silver ingot that passes as money by weight. It is often called "shoe" or "shoe silver" (聳銀), as it is modelled after the shape of a shoe. This silver ingot is said to have come into existence in the later period of the Sung Dynasty (960–1280). Modelling bar silver or coined silver into sycee is entrusted to a few reputable private concerns, called Loofang. Every shoe bears the firm name of the melter, with the particulars of weight and fineness stamped upon it with a die. The weight and value of sycee vary according to province or locality. Shanghai shoes weigh very closely to 50 taels, while Newchwang shoes weigh on an average 53½ taels. Shoe silver, though rudimentary and inconvenient as money, is a very important medium of currency, as it is often used in the settlement of interport trade balances in China. This sycee was once widely used in Manchuria. Transactions of a large amount were often conducted by means of this silver ingot especially in Newchwang, Antung, Mukden, and Kirin. But the introduction of the so-called "transfer" or "book transfer" in the settlement of mercantile transactions at Newchwang, the financial chaos following in the wake of the civil war after the Revolution of 1911, and the rise in the price of silver as a consequence of the war in Europe, were the chief factors bringing about the gradual diminution of circulation of sycee. Today it has practically disappeared from all marts in Manchuria except Antung, where transactions in Yalu river timber and other staples are still conducted in sycee, known as the Chin-ping-yin (鎭平銀).

108 Paper Currency

As alluded to in the chapter on Trade, Manchuria is primarily an export country, so far as its trade with the outside is concerned, and it might be expected consequently that various forms of hard currency would remain in Manchuria. But they were gradually diminished or done away with, one by one, as stated in the preceding section. Paper currencies were not only gradually taking the place of the hard moneys,

but overwhelming all currencies without the backing of substantial reserves. They flooded the market beyond control.

109 Cash and Copper Notes

As in case of China proper, the provincial governments in Manchuria used often to issue the Government note, Kuantieh (官帖), while individual concerns issued paper currency in the form of a promissory note called Tiehtzu (帖子). These Government notes were first issued in 1898 in Kirin and Amur provinces based on cash, with the object of replacing the obnoxious private notes then in circulation. In their earlier days, they were readily converted into cash, and naturally maintained credit. As time went on, however, the financial disorders of these governments made conversion difficult and their value gradually declined. Yet, in the absence of better money, they circulated widely in these two provinces, but at a large discount.

There is another Government note in the Amur province issued on the modern copper coin, and called Tungyuan-piao (銅元票) or copper note. As already stated, the Amur Government, possessing no mint, had this coin supplied by the Mukden and Kirin Governments. But not having a steady supply of the copper coins, the Amur province started to issue copper notes, nominally on the copper coins. The copper note was issued in enormous quantities, also, by the Mukden Government, and it amounted to 75,000,000 Yuan in 1927.

110 Silver Notes

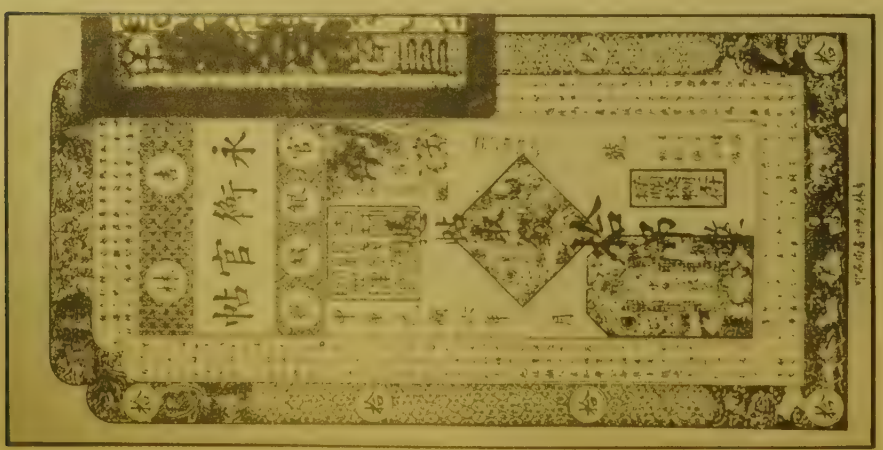
Silver notes are called Yangchien-piao (洋錢票). Notes issued on the Chinese silver dollar are called Tayang-piao (大洋票) and those to be issued on smaller silver coins Hsiaoyang-piao (小洋票).

The hsiaoyan-piao is not necessarily limited to the smaller denomination. For example, the 5 yuan (dollar) note, if the issue bank promises to pay bearer fifty ten-cent pieces, is called the hsiaoyang-piao, or smaller silver coin note. This note was issued by the Government Three Eastern Provinces Bank, Mukden Industrial Bank, and Mukden Commercial Bank, at Mukden; by the Kirin Yung-heng (Government) Bank, at Kirin; and by the Amur Government in Tsitsihar, capital of Amur province. It was also issued by the branches of the Bank of Communications, and the Territorial Bank, each having its main office in Peking. This note was current in the early years of the establish-

Silver Ingots or Shoes of Sycee.

Huituipiao, popularly called the Mukden note.

Copper note issued by the Mukden Government.



Gilver note issued by the Kirin Government.

ment of the Republic throughout Manchuria, except Kwantung Peninsula, where the Japanese currency dominated. But it circulated most extensively in Mukden province, where it formed the principal currency, while in Kirin and Amur provinces, the cash note or copper notes circulated more commonly, as already stated. This currency was originally a note convertible into small silver coins. But the wanton issue of the note by these banks in Mukden especially by the (Government) Bank of the Three Eastern Provinces, Mukden, made their conversion into specie or coin impossible. The disorder resulted in financial disturbances in Manchuria, the interest of the Japanese communities being also seriously affected. To remedy this financial chaos, six great banks in Manchuria made an agreement which came into force in August, 1917. By this agreement, the tayang-chien, or Chinese silver dollar, was to be adopted as the standard; the issuing of the hsiaoyang-chien (smaller silver note) was to be stopped, and those in circulation were to be exchanged for the new tayangchien, with the exception of the small notes under 10 chiao; and the exchange ratio of hsiaoyang to tayang was to be 10 to 12. The issue banks enjoyed such little public credit that as soon as the new notes were on the market not only were the old hsiaoyang notes presented for exchange for tayang notes, but the new tayang note itself was presented for conversion into cash. The result was that the tayang note became as inconvertible as the hsiaoyang note.

The original aim of putting a stop to the indiscrimate note issue thus resulted in failure. On the contrary, other issues of inconvertible notes came in succession under other names, such as the Huitui-piao (滙兌票) or exchange note, which, together with the copper note issued by Mukden Government, is popularly called the Mukden note.

111 Mukden Note

This exchange note was first issued in December, 1917, by the Bank of the Three Eastern Provinces by order of the Mukden Government. The privilege was extended to the Bank of China and the Bank of Communications in 1919, each to the extent of 5,000,000 dollars. By the compulsory use of this note, it circulates extensively side by side with the tayang and hsiaoyang notes. It has become a most common practice of the provincial governments to relieve their financial embarrassments simply by the issue of new bank-notes through these official banks, little trouble being taken about the reserves to cover the issues. In the year 1922 when civil war broke out between the Chihli and Mukden

parties, the issue of these Mukden notes increased to 300,000,000 dollars. When Kuo Sung-ling revolted against Chang Tso-lin in December, 1925, the Mukden notes were further augmented to about 490,000,000 dollars. It is said that huituipiao, or tayang notes in the form of exchange notes, which were printed in America to the amount of 50,000,000 yen, were brought to Newchwang in the same year. During the civil war between the North and South (1926–28) more of these Mukden-notes were issued, and these were estimated from 800,000,000 dollars to 1,300,000,000 dollars at the end of 1927.

Mukden notes are bank notes not backed by specie reserve, but dependent upon the goodwill and credit of the Mukden Government. Any movement of the political situation at Mukden has most keenly affected these notes. Their value has steadily declined since 1918, and dropped to 167 dollars against 100 silver dollars at the time of the civil war, 1922. When the Kuo Sung-ling's rebellion took place in December, 1925, it fell to 290 dollars. Although it recovered to 260 when the revolt was crushed in January, 1926, it dropped to 600 in July, 1926, when Chang Tso-lin marched to Tientsin. It further dropped to 614 in January, 1927, after Chang entered Peking, and while the big campaign against the South was going on, the Mukden note gradually went down to 1,390 in December.

112 Book Currency

In Manchuria, as in the rest of China, there is a system of book or accounting currency, the units of calculation being known as the Kuping tael, Haikwan tael and transfer tael. None of them exist de facto, either as coins, notes, or in the shape of ingots.

Of these imaginary currencies, the Kuping tael, or the Treasury tael, was originally adopted for the collection of taxes under the regime of the Manchu dynasty. This tael is supposed to be 1,000 fine and to weigh 575.8 grains.

The Haikwan or Customs tael is another fictitious arbitrary financial unit. This tael is the standard by which the Chinese Maritime Customs levies all duties on imports and exports. But all Custom dues are collected in local money at the rate of exchange fixed by the Customs authorities. This tael is supposed to be 1,000 fine and to weigh 583.15 grains troy.

Another book currency is the transfer tael peculiar to Newchwang. But this tael is somewhat different from the above-mentioned fictitious taels in that "it does not pretend to have a certain fineness or weight."

Three Eastern Provinces Bank at Mukden.

Branch of Bank of Chosen at Dairen.

Branch of Yokohama Specie Bank at Dairen.

At Newchwang, as in most Manchurian cities, the good sycee, in consequence of financial disturbances since the Boxer trouble and the rise in the price of silver, gradually disappeared from circulation, and became transformed into a mere transfer system of yangchien notes.

113 Foreign Currency

Mexican and Hongkong dollars circulated at Newchwang after its opening to foreign trade in 1860, as in Shanghai or Tientsin. When the construction work of the Chinese Eastern Railway was commenced in 1897, Russian gold roubles circulated along the railway zone in Manchuria. In the same year, the Russo-Asiatic Bank established a branch office at Newchwang, which financed the huge transactions in railway materials. During the Russo-Japanese war (1904–5) both belligerents issued enormous amounts of Military notes. The Japanese military notes alone at one time went up to 150,000,000 yen, and the Russian issue was probably greater. Although the military notes were in circulation all over Manchuria, they were gradually withdrawn. But the growing economic interests of Japan and Russia in Manchuria caused the two countries to circulate their currencies in ever-increasing amounts.

114 Russian Currency

The Russian rouble note was formerly the most powerful foreign currency in Manchuria. They circulated all over the three provinces, as freely in Newchwang, Port Arthur, Dairen, and Mukden, as in Harbin and the northern areas. But after the Russo-Japanese war, the sphere of their circulation was limited to the North. Prior to the great war in Europe, the total amount of Russian currency circulating in Manchuria was estimated at over sixty million roubles.

After the outbreak of war in 1914, the ever-increasing issue of paper regardless of specie reserve caused the rouble note to become inconvertible, and the situation was aggravated by the outbreak of the revolution in 1917 in European Russia, which was followed by political chaos in the Chinese Eastern Railway Zone in the North. At this time the area was flooded with notes of dubious quality — Romanoff and Kerensky notes, the Russian Treasury note, notes issued by the Russo-Asiatic Bank, Harbin Municipality notes, and paper issued by the Chinese Chambers of Commerce at Harbin, Manchouli, and other centres.

Russian subsidiary coins were superseded by postal and savings stamps overprinted with kopek denominations.

Financial disorder of this character continued for several years, until the establishment in 1922 of the state bank of Soviet Russia, and the issue of a new gold rouble note named the chervonetz. This gradually restored credit, and has been adopted as the unit of freight payments by the Chinese Eastern Railway. Subsequently, however, Russian influence being overshadowed by the vigorous policy of Chang Tso-lin, Chinese paper currency, and to a certain extent Japanese currency, penetrated the Railway Zone; the Russian chervonetz fell off, and today its circulation is limited to the Russian community in Harbin. In July, 1927, it was estimated the notes in circulation were no more than 700,000 roubles.

115 Japanese Currency

Japanese currency circulating today in Manchuria, particularly in the Railway Zone and the Leased Territory, are auxiliary coins and silver yen minted in Japan, and notes issued by the Bank of Japan, the Bank of Chosen, and the Yokohama Specie Bank.

The military notes issued by the Japanese Government during the Russo-Japanese war for the use of the armies in Manchuria amounted to 150,000,000 yen. It was a convertible note, payable in Japanese silver yen, and of six denominations, namely, 10 yen and 1 yen, and 50, 20 and 10 sen. Soon after the conclusion of the war, the redemption of the note was entrusted to the Yokohama Specie Bank. It was steadily redeemed, and the amount still outstanding is negligible.

116 Yokohama Specie Bank Silver Note

When the Manchurian trade of Japan, particularly the purchase of soya beans, was growing, the Yokohama Specie Bank opened a branch office at Newchwang in 1899, and commenced business in exchange. Following the practice of other foreign banks in the open ports of China, this office of the Yokohama Specie Bank, in 1903, began to issue silver notes payable at sight in the Japanese silver yen. One year after the conclusion of the Russo-Japanese war, the Japanese Government gave orders to the bank to redeem the military notes issued during the war, and, in consideration thereof, granted the bank the privilege of the note-issue in Manchuria.

This bank-note is of four denominations, of 1, 5, 10, and 100 yen, all payable in Japanese silver yen, and called by the Chinese yin-piao (silver note), or chao-piao (鈔票). The note must be issued only by the branch office in Dairen, and is payable only at this branch. This practice still continues. The note-issue progressed favourably for the first several years, and amounted to over 7,000,000 yen at the end of the year 1911. But the fluctuation in the price of silver was so acute, that the Kwantung Government had to adopt in 1908 the unit of the gold yen in the valuation of its revenue and the South Manchuria Railway in payment of wages, especially for the Japanese employees. In the meantime, the Japanese population gradually increased in the Leased Territory of the Kwantung Peninsula and in the Railway Zone, where the Japanese gold notes issued by the Bank of Japan and its auxiliary currency naturally circulated. In 1913, the Yokohama Specie Bank was finally authorized by an Imperial ordinance to issue notes on gold coins or notes of the Bank of Japan. For this reason the circulation of the Yokohama Specie Bank silver notes steadily declined, until at the close of the year 1915 the amount of those in circulation was but 2,257,000 yen. The gold note-issue of this bank was continued until 1917, when this privilege was transferred exclusively to the Bank of Chosen. By discontinuing the issue of gold notes, the note issue on silver by this Bank did not increase. On the contrary, the note based on silver became more and more difficult owing to the rise in price of silver. Moreover, the Japanese and other foreign dealers in Manchurian beans preferring the gold unit in their transactions, the Produce Exchange of Dairen adopted the gold unit account in 1921. This movement also affected the silver notes issued by the bank, which fell off to 1,037,000 at the end of 1922. Meanwhile the acute fluctuation in the price of silver stopped, and the Produce Exchange of Dairen re-adopted (in 1923) the silver unit in its settlement account. Ever since the note issue of the Yokohama Specie Bank has been on the increase.

The following table shows the movement in value of the Yokohama Specie Bank silver note issue for the last twenty-one years :—

Year	Amount	Year	Amount
1907	4,905,000	1913	4,049,000
1908	3,999,000	1914	2,984,000
1909	2,856,000	1915	2,257,000
1910	3,604,000	1916	4,121,000
1911	7,198,000	1917	3,074,000
1912	3,439,000	1918	2,366,000

1919	2,938,000
1920	1,761,000
1921	1,037,000
1922	1,231,000
1923	1,484,000
1924	1,496,000
1925	3,088,000
1926	3,305,000
1927	5,460,000

117 The Bank of Chosen Gold Note

The bank-note issued by the Bank of Chosen is practically the same with the gold yen note issued by the Bank of Japan, since it is issued on gold coins, bullion, or the Bank of Japan notes. It was originally legal tender in the Peninsula of Chosen (Korea) only, but the extension of trade in Antung and in the Manchurian frontier districts resulted in its extended use beyond the Korean border; and with the completion in 1911 of the Antung-Mukden Railway, which connects with the Korean Railway, trade between Korea and Manchuria steadily increased, and the gold notes of the Bank of Chosen were found circulating all along the new railway in 1913. The establishment of branches by the bank at Mukden, Dairen, Changchun, Ssupingkai, Kaiyuan, Harbin and Newchwang — important centres along the railways, widened the circulation of the note. In June, 1916, the Bank began issuing fractional notes to serve as subsidiary money to its standard note. The Government of Japan felt the advisability of unifying the gold notes issued by the two banks in Manchuria — the Yokohama Specie Bank and the Bank of Chosen — and it was finally decided in December, 1917, by Imperial ordinances Nos. 217 and 218, that the bank-note issued by the Bank of Chosen should be the sole legal tender in the Leased Territory of Kwantung Province and the South Manchuria Railway Zone. Simultaneously the Yokohama Specie Bank gold-notes amounting to 4,538,340 yen were transferred to the Bank of Chosen to be withdrawn as speedily as possible in favour of the notes of the latter. The amount of the note issue of the Bank of Chosen and the amount of the notes in circulation in Manchuria estimated at the end of each year up to 1927 are shown in the following table:—

Year	Amount of Issue	Estimated Amount in Circulation in Manchuria
1917	67,364,000	—
1918	115,523,000	19,089,000
1919	163,600,000	37,066,000
1920	114,034,000	42,342,000
1921	134,360,000	46,775,000

1922	100,544,000	34,251,000
1923	110,233,000	39,174,000
1924	129,113,000	45,190,000
1925	120,540,000	42,190,000
1926	110,939,000	33,829,000
1927	124,527,000	43,584,000

There is no means of ascertaining exactly the proportion of notes issued by the Bank of Chosen in circulation in Manchuria, owing to the constant movement of notes to and from Chosen, but the above estimate is the result of careful calculation.

X EDUCATION

118 Education in Manchuria

It is said that, prior to the Boxer outbreak of 1900, there was no real public school system in Manchuria, nor any institution for giving modern education except the few maintained by foreign missionaries. For many years, the village literati gave lessons to boys in the writing and reading of Chinese characters and in domestic etiquette, this kind of school being known as Shuyuan (書院), or Shufang (書房). The higher education was limited to the few persons preparing for the most exacting civil service examination, called Kochu (科舉). A peculiarity of the old Manchu system was the privilege of the military caste to receive the form of instruction called the "Eight Banners Military Learning" (八旗義學). This was given to young men of the military caste of the Eight Banners.

In the later part of the nineteenth century, stimulated by Western civilization, the Chinese began to improve the educational system. Soon after the Boxer trouble, a Government University was established in Peking. On November 26, 1903, regulations governing the new school system, chiefly modelled after the Japanese school system, were promulgated. Subsequently, the old-fashioned civil service examination which had existed for more than a thousand years, since the Tang Dynasty, was abolished. More comprehensive school regulations were promulgated in the first year of the Republican regime, 1911. In November of that year, the Mukden Government issued regulations under which the modern school system was to be gradually evolved.

It was the Russians who first brought some sort of modern education into the railway zone of Manchuria. After the Russo-Japanese war, the Japanese educational system was established in the Leased Territory and the Zone of the South Manchuria Railway.

Today, in Manchuria, the Japanese are spending about 7,000,000 yen per year on the educational service in South Manchuria; the Chinese Eastern Railway under Chinese and Russian management defrays about 2,400,000 roubles for educational work; and the Mukden, Kirin, and Amur provincial governments are said to have spent about 5,100,000 Chinese dollars on educational work.

Besides the educational services maintained by the Chinese, Japa-

nese, and Russians, it should be mentioned that the Irish, Scotch, French, and Danish missionaries for many years participated in educational and medical work in Manchuria.

119 Japanese Educational Service

The educational system maintained in Manchuria by the Japanese, though fundamentally similar to that of Japan proper, is modified so as to meet the conditions peculiar to Manchuria. Schools of the grammar school and high school grades are provided separately for Chinese and Japanese, while co-education for Chinese and Japanese is maintained in the higher professional schools of university grade.

a Schools for Chinese

The public schools (公學堂) of grammar school grade and the middle schools (中學堂) of high school grade, were established and maintained by the Kwantung Government in the Leased Territory and by the South Manchuria Railway Company in the Railway Zone.

The first public school for Chinese in the Leased Territory was that established as early as 1904, in Chinchou, when the area was in military occupation. The public school in the Railway Zone was first established in Kaiping in 1909. They were gradually increased in this region, so that today they number twenty, and the pupils 11,118, as shown in the table below:—

March 31, 1928

	No. of Schools	No. of Instructors	No. of Students	Running Expenses
Public Schools in Leased Territory	10	226	8,136	¥406,406
Public Schools in Railway Zone	10	92	2,982	165,429
Total	20	318	11,118	571,835

Instruction is given in the Japanese and Chinese languages, and includes moral teaching, arithmetic, simple physics, and manual training. Besides these schools, the schools of lower grade called common public schools (普通學堂) are maintained by the village communities in the Leased Territory. They were 122 in number, with 472 teachers and pupils aggregating 19,083 as existing on March 31, 1928. Their annual expenditure aggregated 286,352 yen.

With regard to middle school education for Chinese, a school was established at Mukden in 1917 by the South Manchuria Railway

Company, and another at Port Arthur in 1924 by the Kwantung Government. At these institutions are taught the Japanese and Chinese languages, English, history, geography, mathematics, natural history, drawing, physics, chemistry, and manual training. The staffs of these schools, the number of students, and maintenance expenses are shown in the table below:—

	Teachers	Students	Expenses
Port Arthur Middle School	17	189	71,672
South Manchuria Middle School	22	392	102,948
Total	39	581	174,620

The Kwantung Government and the South Manchuria Railway Company have paid as serious attention to the encouragement of industrial education for Chinese boys as to elementary education. The industrial schools, giving necessary instruction to native boys wishing to engage in agriculture, commerce, or mining, according to the local requirements, may be classified as agricultural, commercial, and mining schools. Commercial schools were established in the commercial centres, such as Dairen, Liaoyang, and Yingkou (Newchwang); agricultural schools in the agricultural centres, Hsiungyuehcheng and Kungchuling; and a mining school in the mining town of Fushun.

Further details of these schools are given in the following table:

March 31, 1928

	Maintained by	Teachers	Students	Expenses
Dairen Commercial School	Kwantung Government	8	84	14,682
Chinchou Agricultural School	„		79	
Liaoyang Commercial School	S. M. R.	7	62	29,353
Yingkou Commercial School	„	11	113	61,710
Fushun Mining School	„	7	48	22,828
Hsiungyuehcheng Agricultural School	„	9	81	40,370
Kungchuling Agricultural School	„	9	47	41,676
Total		51	514	210,619

In order to provide a sound teaching force for native elementary schools, a normal school (師範學堂) was established at Port Arthur by the Kwantung Government.

For training Chinese teachers, a normal school course originally was attached to the middle school at Port Arthur. It became an independent normal school in 1918. Graduates of the higher grade of

Modern Public School, maintained by the Mukden Government.

Public School for Chinese, maintained by the S. M. R. at Dairen.

Middle School for Chinese, maintianed by the Chinese Eastern Railway at Harbin.

Manual Training given by Public School for Japanese at Antung.

Manual Training given by Public School for Chinese at Fushun.

Dining Hall of Fushun Public School.

the public schools are eligible as students. There are 29 instructors and 216 students. The annual maintenance expense of this school amounts to 163,000 yen.

b Education for Japanese

As Japanese residents were on the increase after the Russo-Japanese war, the Kwantung Government first established two elementary schools for Japanese children as early as 1906, one at Port Arthur and the other at Dairen. In the following year, the South Manchuria Railway Company established similar schools in Liaoyang and Fushun. As the Japanese population increased, the schools increased to 48 in number, with 29,933 pupils, as they existed at the end of March, 1928. The curricula of these schools, though similar to the schools in Japan proper, include the Chinese language and a course of elementary industry in order to fit pupils to the local conditions existing in Manchuria. In addition, there are Japanese elementary schools in Chinchou (錦州), Hsinmintun, Chientao, Manchouli, Hunchun, and Touerhkou.

Regarding high school education, the necessity of establishing middle schools was soon felt for the benefit of public school graduates. A middle school was first established at Port Arthur in 1909 by the Kwantung Government. Several years later, two middle schools were established in Dairen. Since 1919, four middle schools have been established in the Railway Zone by the South Manchuria Railway Company, one each at Mukden, Anshan, Fushun, and Antung. Subsequently seven girls' high schools were established — at Port Arthur, Dairen, Mukden, Antung, Fushun, and Changchun. The standing of these Japanese middle schools and girls' high schools today is practically as advanced as those in Japan proper.

The following table shows the general features of public schools, middle schools, and girls' high schools in the Leased Territory and the Railway Zone:

March 31, 1928

	Location	Schools	Teachers	Students	Expenses
Public Schools	Leased Territory ...	19	357	12,517	930,056
	Railway Zone.....	29	398	13,416	910,401
	Total	48	755	25,933	1,840,457
Middle Schools	Leased Territory ...	3	114	2,118	359,700
	Railway Zone.....	4	88	1,706	315,470
	Total	7	202	3,824	675,170

Girls' High Schools	Leased Territory ...	3	101	2,051	273,380
	Railway Zone.....	4	82	1,485	275,864
	Total	7	183	3,536	549,244

As to commercial training for Japanese, a commercial school was established at Dairen in 1910 by the Oriental Association, of Tokyo, while another was established at Changchun in 1920 by the South Manchuria Railway Company. In their curricula, which are practically the same as those of similar schools in Japan proper, the teaching of the Chinese and Russian languages is much emphasized. The following table shows the number of instructors and students and running expenses of these schools:—

March 31, 1928

	Founder	Teachers	Students	Expenses
Dairen Commercial School.....	Oriental Association	30	1,148	152,560
Changchun Commercial School	S. M. R.	24	371	91,700
Total		54	1,519	244,260

For advanced education in the professions, the higher professional school system of Japan proper has been introduced to South Manchuria. There are three colleges, the South Manchuria Technical College, the Manchuria Normal College, and the Russo-Japanese Association's College. The Technical College was established by the South Manchuria Railway Company at Dairen, and consists of two departments: Constructive and Mechanical Engineering. The former is divided into four sections: Architecture, Civil Engineering, Mining, and Agricultural Engineering, the latter being divided into four sub-sections: Electricity, Machine-Making, Railway Machinery and Mining Machinery.

In order to foster skilled labour, an elementary training course is attached to this College. The Normal College, established in 1924 at Mukden by the South Manchuria Railway Company, has two Departments: Literature and Science. The Russo-Japanese Association's College was established in 1920 at Harbin by the Russo-Japanese Association, of Tokyo. The staffs, etc. at these institutions are:—

March 31, 1928

		Instructors	Students	Expenses
South Manchuria Technical College	Dairen	52	228	211,418
Manchuria Normal College	Mukden	25	115	146,034
Russo-Japanese Association's College.....	Harbin	20	124	151,138

c *University Education*

Chinese and Japanese graduating from the middle schools, desiring advanced work in science and professional training, usually had to go to Japan or other countries. In order to give every possible advantage to these young men, the Kwantung Government first established in 1910 a technical college at Port Arthur, and the South Manchuria Railway Company founded a medical college at Mukden in 1911. In order to meet the trend of the times, especially after the great European war, these colleges were advanced to university grade, providing a three-year course, to which was added a three-year preparatory course. For Chinese students, a year's course in the Japanese language is provided before their entrance to the preparatory course. The medical university at Mukden will be treated more fully in the section on Medical Education in the following chapter dealing with Sanitation. The Technical University maintains three departments, i. e., Mechanical Engineering, Electrical Engineering, and Mining and Metallurgy.

The table below shows the numbers of the faculties and students at these universities and running expenses as they existed at the end of March, 1928 :—

	Professors	Studies	Students	Expenses
Technical University.....	68	University Course	18	634,484
		Preparatory Course	210	
Medical University	80	University Course	195	579,294
		College Course	102	
		Preparatory Course	231	

d *Education for Koreans*

Korean migration into Manchuria has a long history. Since the Sino-Japanese war, and specially after the Russo-Japanese war, immigration has been on the increase particularly in the Chientao districts, and in the suburbs of Harbin, Changchun, Kirin, Mukden, and Antung. The Korean population in Manchuria is estimated at between 750,000 and 1,000,000, and most of the settlers are engaged in rice and millet cultivation.

In the education of Korean children in the Railway Zone, the South Manchuria Railway Company is also participating. There are eight common schools for Korean children with 1,853 pupils, as they existed at the end of March, 1928. Some of these schools were built and are maintained by the Company, and the others by its help. The Government-General of Korea also extends pecuniary assistance in the

Chientao districts. In the fiscal year 1928, 47,581 yen were allocated in this way by the South Manchuria Railway Company and 21,196 yen by the Government-General of Chosen. In addition, there are about 440 Korean common schools maintained outside the Railway Zone by the Korean village communities or associations. The home Government at Seoul, the Government-General, affords pecuniary assistance if such be applied for.

The following table shows the distribution of Korean schools in Manchuria:

	Schools	Pupils
S. M. R. Zone	8	1,853
Harbin District	21	238
Changchun District	3	228
Antung „	6	160
Mukden „	40	1,601
Tiehling „	21	1,173
Chiengchiatun „	3	170
Kirin „	21	587
Chientao District and Honchun	443	22,086
Total	566	28,096

120 Chinese Educational Service

Concerning modern education in Manchuria, the Mukden, Kirin, and Amur provincial governments are endeavoring to improve their systems. The Mukden Government promulgated in December, 1922 the summarized regulations of the educational system, in which the first article declares that the fundamental object of education should be moral teaching and industrial training. The second article provides the school system — the public school, middle school, and university, besides the normal school and professional college. One or more public schools must be established in each prefecture, district, and village. There are a number of modern schools today. The middle school of primary grade must be maintained by the prefecture, and the higher grade of this school by the province.

Seven middle schools of higher grade have been established, and there are 7,800 students. Six normal schools have a total of students estimated at about 4,000. There are schools of higher education, i. e. the Chinese Literature College, the Technical College, and the North-Eastern University. Of these, the latter is the most important. It was established in April, 1923 at Mukden, at the cost of 2,800,000 dollars, when Mr. Wang Yung-chiang was the Governor of Mukden

Technical University maintained by the Kwantung Government at Port Arthur.

Entrance to North-Eastern University maintained by the Mukden Government.

Sino-Russian Technical University maintained by the Chinese Eastern Railway at Harbin.

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province. The Governor himself was the first president of the institution. The University has six Departments — Literature, Pure Science, Law, Commerce, Agriculture, and a Post Graduate course. The course of study is between three and four years, and graduates of the higher grade of middle school are eligible as students. There were 198 students in the several courses, and 377 students in the preparatory course, making the total 575, according to returns for 1926. The university was originally established by the co-operation of the Mukden and Kirin Governments, but the running expenses, amounting to about 400,000 Chinese dollars per year, are said to be defrayed chiefly by the Mukden Government.

121 Russian Educational Service

Since the building of the Chinese Eastern Railway, a number of primary schools, high schools, commercial schools, language schools, besides technical and medical schools, have been established in the Russian Railway Zone. Some of them were maintained or supported by the Railway, while others were maintained or supported by the municipalities and private associations. Since the Revolution, however, educational activities in the North have been a great deal checked.

Subsequently, after the Railway had been brought under the joint management of Russia and China, the administrative power in the Railway Zone being restored to China, the Chinese authority claimed to control all schools in the Zone. A compromise agreement was made in December, 1927. By this agreement, the Chinese Eastern Railway Company is to defray annually 2,400,000 roubles as school expenses of both the Chinese and Russian sides. According to the Annual Report of the Chinese Eastern Railway of 1926, there were 16 Chinese primary or common schools with 1,477 pupils in 1925. Russian common schools numbered 47 with 8,065 pupils in the same year, besides one having a nine-year course at Harbin. In addition, there were 19 common schools supported by the Railway, and seven Russian middle schools partly supported by the Railway.

For professional education, there are a law school, commercial college, normal school, Sino-Russian technical university, and a medical university, all at Harbin. Of these, Harbin Law School maintains several courses of law, economics, commerce, railways, and Oriental economics. This school provides a preparatory course in the Russian language for Chinese students. Its faculty numbered 33 and students 662 in January, 1927. The Sino-Russian Technical University

was originally a technical college, established in 1920, but was advanced to university grade in 1923. It has three departments, i.e. civil engineering, electricity, and mechanics. The main course of study requires five years, including a preparatory course of three years for Chinese studying the Russian language.

122 Missionaries in Educational Work

Europeans of the Roman Catholic faith, coming from North China missions are reported to have established themselves in Manchuria in the beginning of the 19th century. After Newchwang was opened to trade, the Scottish Mission and the Presbyterian Church of Ireland started missionary work at this port, and gradually expanded to Mukden, Kirin and Liaoyang. The Danish Missionary Society (Danske Missionsselskab) commenced work soon after the Sino-Japanese war, at Port Arthur, and later penetrated to Fenghuangcheng, Antung, and North Korea. With the Boxer trouble, and up to the end of the Russo-Japanese war, the work of foreign missionaries was checked, but they resumed activities after the war.

Foreign missions are also participating in educational and medical work. It was reported in 1917 that there were several kindergartens, 200 grammar schools, 36 grammar schools of higher grade, and 20 middle schools in existence. Of schools of college grade, the Theological College, Manchurian Christian College (College of Literature), and Mukden Medical College were maintained by the missionaries.

XI SANITATION

123 Sanitary Condition in Manchuria

Contrary to conditions in a tropical country, Manchuria, lying in the temperate zone like the northern part of Europe in which climate, humidity and rainfall are very similar, should be a healthy country. Various plagues and infectious diseases, however, have often threatened both human beings and cattle. Until very recently, even important towns and crowded quarters everywhere were left in filthy condition and proper hygienic care was often completely neglected.

With the Russian advent, modern systems of hospitals and waterworks were introduced in the Railway Zone. During the Russo-Japanese war, the Japanese army at once set up with characteristic thoroughness the most complete hygienic measures in South Manchuria, then under military occupation. With the restoration of peace Baron Goto (later Count), the first President of the South Manchuria Railway Company, then acting as Adviser to the Kwantung Government, being himself a physician, took the initiative in adopting thorough sanitary measures in the Leased Territory and the Railway Zone. In these regions, the public hygienic system has made great progress in the last two decades. It is a happy omen that the Chinese authorities in Manchuria, stimulated by the example in sanitary measures set by the Japanese and Russians, have begun to adopt sanitary measures at least in the big cities, such as Mukden and Harbin. They have also shown a conciliatory spirit, when co-operative measures in preventing plagues and cholera were required by the Japanese and other nationals.

124 Japanese Hygienic Services

a Administration

The hygienic administration in the Leased Territory and Railway Zone is controlled by the Police Bureau of the Kwantung Government, but administrative measures in the Railway Zone are entrusted to the Local Affairs Department of the South Manchuria Railway. Quarantine and other hygienic matters in the harbors of Dairen and Port Arthur come under the jurisdiction of the Marine Bureau of the

Kwantung Peninsula. Bacteriological Laboratories were established by the S. M. R. respectively in Mukden, Newchwang, Antung, Changchun and Fushun. To each Laboratory several medical experts and officers are attached to enforce epidemic prevention measures.

b Hygienic Institute

With regard to hygienic investigation, or laboratory work, i. e., the examination of human and animal epidemics, bacteriological tests, hygienic tests of medical and chemical substances, food and drink, these were originally conducted by the Central Laboratory of the Kwantung Government. This laboratory was transferred to the South Manchuria Railway Company in May, 1910, on condition that all hygienic or chemical tests should be made free of charge to the general public. Ever since, the Central Laboratory of the South Manchuria Railway Company has conducted all hygienic investigations and tests side by side with experimental works and the investigation of agricultural and industrial products. But all matters relating to hygienic examination and tests in medical and chemical substances, food, drink, or in bacteriological tests with special reference to epidemic or endemic prevention, were transferred on April 1, 1927 to the newly-established Hygienic Institute of the South Manchuria Railway Company. This institution also manufactures vaccines and serums, disinfectants, etc. These products are distributed at the original cost or free of charge.

c Medical Treatment

This service is conducted by the Kwantung Government, the South Manchuria Railway Company, and the Red Cross Society of Japan.

The Kwantung Government Hospital was established in November, 1907 at Port Arthur. The building of a Red Cross Hospital under the Russian regime was purchased from Russia and utilized for the use of the new hospital. Considerable architectural alterations and extensions were made in past years, so as to facilitate different branches of treatment, and providing accommodation for 118 in-patients. The Government also maintains isolation hospitals at Dairen and Port Arthur for the treatment of victims afflicted with any of the legally specified infectious diseases. Each is located on a high, dry hill and equipped with up-to-date appointments. The Hospital at Port Arthur can take care of 100 inmates and that at Dairen 250. In addition, there are two women's hospitals, one at Port Arthur and the other at Dairen, principally taking care of prostitutes. In order to extend medical treatment to the

people in districts remote from Dairen and Port Arthur in the Leased Territory, the Government maintains officially appointed district physicians in thirteen towns. The chief function of these physicians is to participate in sanitary administration, especially in vaccination, and in their spare time they give medical aid to the people. In the case of Chinese patients who are extremely poor, medicine is furnished without charge. To these official physicians, the Government gives a monthly allowance, official residences, and furnishes medicine and medical apparatus. The following table shows the number of patients treated in past years by the Government Hospitals and district physicians:—

	No. of Day Patients			
	1911	1916	1921	1926
Kwantung Government Hospital	117,299	145,823	136,018	153,830
Isolation Hospital at Port Arthur	—	—	2,783	10,000
Isolation Hospital in Dairen.....	—	—	20,207	34,750
Women's Hospital at Port Arthur.....	—	—	8,961	7,180
Women's Hospital in Dairen	—	—	50,086	31,210
District Physicians.....	31,334	60,656	193,252	136,988
Totals	148,633	206,479	411,307	373,958

The South Manchuria Railway Company maintains most extensive medical institutions in Manchuria. There are hospitals in Dairen, Shakako, Mukden, Antung, Newchwang, Tashihchiao, Wafangtien, Liaoyang, Anshan, Fushun, Tiehling, Kaiyuan, Ssupingkai, Kungchuling, Kirin, Penhsihu, and Changchun, along the Railways, and a hospital at Harbin. Branch hospitals are maintained in the Chinese towns of Dairen, Mukden, Newchwang, and Changchun, principally for the purpose of extending the benefit of modern medical treatment to the native Chinese. Branch hospitals are also maintained at Chinchou and Shakako. That is to say, fifteen hospitals and six branches are maintained by the South Manchuria Railway Company. For the building and equipment of these hospitals and branches, over 15,000,000 yen has been spent in past years, and about 2,500 in-patients can be accommodated. These hospitals are, of course, on varying scales. The Dairen Hospital is the largest, consisting of ten divisions — surgery, gynaecology, ophthalmology, dermatology, kinder-clinique, rhino-laryngo-otology, physical treatment, dentistry, and laboratory. The last mentioned division is subdivided into bacteriological, pathological, and chemical sections. Next come the Hospitals at Mukden and Fushun, each of which has large modern accommodation. Mukden Hospital, attached to the South Manchuria Medical College, has also several divisions, each provided

with the latest medical appliances, so as to put the newest medical inventions or devices to actual use besides utilizing them for class-work at the college. Other hospitals have also separate divisions according to local requirements.

The medical force engaged at these hospitals numbered 204 superintendents and physicians, 47 pharmaceutists, 76 clerks, 500 nurses and midwives, 39 engineers, and 624 other employees, making a total 1,490, at the end of March, 1928.

The following table shows the progress of medical treatment during the last twenty-one years:—

Year	Number of Patients			Account		
	In-patients	Out-patients	Total	Income	Expense	Deficit Defrayed by Company
1907-8	31,704	230,868	262,272	41,352	185,473	144,131
1908-9	87,346	368,617	455,963	145,518	250,749	105,231
1909-10	118,306	467,016	585,322	184,267	328,226	143,959
1910-1	165,989	647,942	813,831	247,760	504,072	256,312
1911-2	196,601	466,682	663,283	299,065	517,790	218,725
1912-3	214,917	489,803	704,720	418,834	643,146	224,312
1913-4	272,675	597,641	870,316	524,881	719,667	194,786
1914-5	326,032	693,827	1,019,920	655,948	843,709	187,761
1915-6	343,039	724,893	1,067,932	709,742	832,452	122,710
1916-7	386,713	827,036	1,213,749	830,160	949,497	119,337
1917-8	438,313	949,013	1,387,326	973,215	1,152,272	179,057
1918-9	505,591	1,081,796	1,587,387	1,285,739	1,705,473	419,734
1919-20	544,999	1,155,313	1,700,312	2,014,230	2,930,917	916,687
1920-1	529,991	1,146,280	1,667,271	2,469,576	3,326,434	856,858
1921-2	476,080	1,192,541	1,668,621	2,360,141	3,020,276	660,135
1922-3	462,633	1,226,709	1,689,342	2,309,796	2,979,901	670,105
1923-4	483,838	1,313,430	1,797,258	2,485,180	3,259,186	774,006
1924-5	528,314	1,432,418	1,960,732	2,739,528	3,616,338	876,810
1925-6	536,580	1,313,407	1,849,987	2,753,842	4,419,879	1,666,027
1926-7	635,042	1,396,842	2,031,884	3,156,674	4,617,541	1,460,867
1927-8	695,432	1,706,295	2,401,727	3,702,898	4,462,218	759,320

In addition to the above record, the work of the district physicians appointed by the South Manchuria Railway Company must not be overlooked. These medical officers are stationed in towns and districts in Manchuria and Eastern Inner Mongolia, supervising sanitary work, conducting vaccination, and giving general medical aid to the needy. Medicine is furnished free or at lowest coast. In ten places in the Railway Zone, far from hospitals, visiting nurses give their service as midwives and in first aid.

The Red Cross Society of Japan also is active in Manchuria.

During the Russo-Japanese war, the Society engaged in relief work and medical treatment of the Chinese refugees. After the war the Chinese, the Russians, and the Japanese in Manchuria, interested in the work of the Society, welcomed the establishment of branches. There are now fifteen of these, and thirteen sub-branches in different districts. A Red Cross Hospital was duly established in Mukden. The members of the Society in Manchuria gradually increased to 80,178, of which 41,749 are Japanese and 38,429 Chinese, Russians and other foreigners, as the figures existed at the end of the year 1927. The Society is also interested in the preventive measures and propaganda on tuberculosis, and has often sent its physicians to the interior where medical treatment is given free of charge to the poor. At times of political disturbance, such as the commotion at Fenghuangcheng in 1912, the Chengchiatun incident in 1916, the first and second Mukden-Chihli collisions respectively in 1922 and 1924, and Kuo Sung-ling's rebellion in 1925, the Society gave the most liberal medical treatment and aid to the calamity-stricken troops and refugees.

Those who had received medical treatment and other aid from the Society in Manchuria up to the end of December, 1927 numbered more than 1,046,000 persons.

d Medical Education

It was vitally important to diffuse sanitary and medical knowledge and skill in Manchuria and Mongolia in order to promote the general welfare. The dreaded pneumonic plague, which broke out in the winter of 1910–11 and swept over Mongolia and Manchuria claiming 50,000 victims, attracted the eyes of the whole medical world to these regions, and resulted in the assembly of the International Plague Conference at Mukden at the end of the visitation. A medical college was contemplated by the South Manchuria Railway Company, chiefly in order to train Chinese physicians, and this finally came into existence in June, 1911 at Mukden, being named the South Manchuria Medical College. Its principal course is of four years, with one year of post graduate work. The Military Inspector General of the Three Eastern Provinces and the Military Commander of Mukden Province were made honorary presidents, and the Governor of the province and Director of the Educational Board were made honorary advisers. One of the secretaries was elected from among the Chinese. While the annual tuition fee for Japanese students was 45 yen, Chinese students were admitted free of charge. In May, 1922, this medical college was promoted to university standing, and named

Manchuria Medical University, a preparatory course being added, extending for three years. The tuition fee in the university course for the Japanese student is 80 yen, and 45 yen in the preparatory course. The Chinese student is charged one-half of these rates.

The South Manchuria Railway Company had invested over 2,500,000 yen in the buildings, apparatus, and library of this medical school up to the end of March, 1928, and is annually spending about 800,000 yen for maintenance.

Regular courses of instruction in nursing and pharmacy are given in all hospitals maintained by the South Manchuria Railway Company.

e Water Works and Sewage

Well water in the towns of Manchuria was the prime cause of epidemic disease, owing to infiltration from stagnant drains and other unclean sources. The construction of water-works in Manchuria where the general knowledge regarding sanitary matters was still backward was considered important. Pressed specially by the necessity of supplying clean water in the open ports and in places thickly populated, the Kwantung Government and the South Manchuria Railway Company in 1907 started to provide modern water works in the Leased Territory and in the Railway Zone.

During the Russian regime, water works on a small scale were provided at Port Arthur, Dairen, and a few other places, but chiefly for the use of the Russian troops and railways.

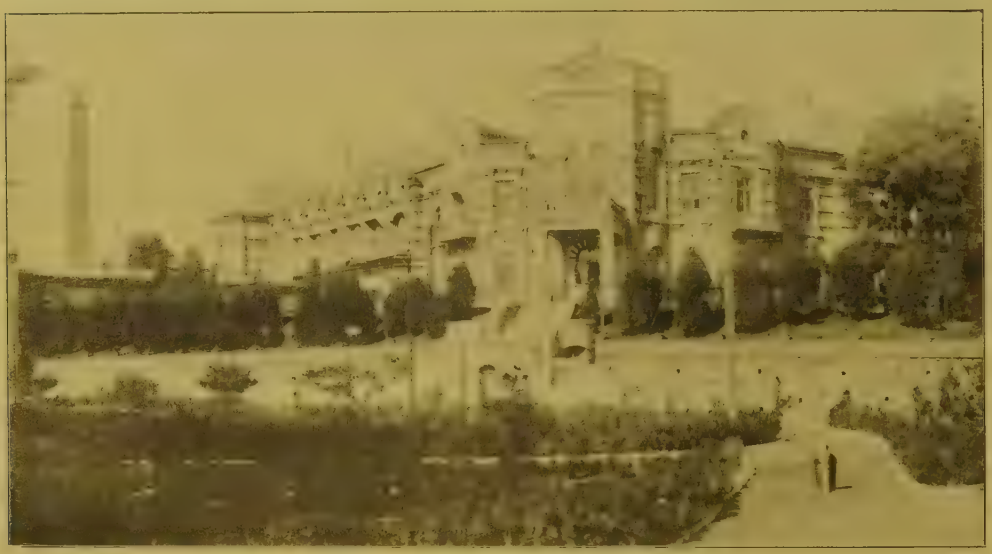
Water works at Dairen, Port Arthur, and Chinchou were constructed and maintained by the Kwantung Government. Dairen being one of the largest ports in the Orient, as population and shipping are increasing year by year, its water works were planned on a large scale and have been further enlarged. The daily capacity is 24,600 tons. Up to 1926, 7,194,000 yen had been spent on the Dairen water works, as construction expenses, 359,000 yen on Port Arthur water works, and 97,000 yen on the Chinchou water works, making a total 7,650,000 yen.

Up to 1926, the South Manchuria Railway Company had provided water works in seventeen population-centres along the Railway, including one at Shakako, a suburb of Dairen. The aggregate cost of construction of these amounted to about 5,900,000 yen. Up the 1920, the income from the water rate did not cover costs, but today it meets expenses. A population of 275,000 now enjoys the benefit of properly filtered water.

Experts of the Hygienic Institute and Hospitals examine the drinking-

Manchuria Medical University, maintained by S. M. R.

Dairen Hospital maintained by S. M. R.



Kwantung Government Hospital, Port Arthur.

Hospital maintained by Chinese Eastern Railway, Harbin.

water of the Zone every month, and inspect all the wells in the Zone twice a year.

Regarding sewage, a modern system has been established at Dairen, the cost aggregating 2,871,000 yen up to March 31, 1926, and at Port Arthur the cost was 250,000 yen. At all important cities and towns along the Zone the South Manchuria Railway Company has installed modern sewage.

125 Chinese Hygienic Service

It seemed that Chinese did not take the medical service in Manchuria into serious consideration until the International Plague Conference, which met at Mukden right after the termination of the dreadful bubonic plague outbreak in the winter of 1911–2, proposed that China establish Plague Prevention Hospitals at five places. Following this proposition, China established four hospitals, respectively in Harbin, Heiho, Sanhsing and Tungchiang up 1914. This was the first attempt to establish medical institutions by the Chinese in Manchuria. These hospitals were primarily intended to maintain preventive measures against plague, but normally engage in the usual work of a hospital in treating the general public.

The North-eastern Hospital was established in 1921 in Mukden, when the first civil war between Chihli and Mukden provinces took place, and was originally a military hospital. It has three departments, i. e. medical and surgical, and wards for infectious diseases.

126 Russian Hygienic Service

During the Russian regime, the Harbin Municipality contemplated establishing a municipal hospital in 1909. Owing to the lack of funds, however, the scheme was not realized until 1914. This hospital maintains three physicians, six assistants and 160 beds.

The important hospitals are those maintained by the Chinese Eastern Railway. They are eight in number, at Harbin, Pogranitchnaya, Heng-tao-ho-tzu, Fu-hai-la-erh-chi, Pu-ha-tu, Hailar, and Manchouli.

The table below gives further details as to railway hospitals:—

Year	No. of Medical Staff			No. of Patients		
	Physicians	As-sistants	Other Employees	No. of Beds	No. of Patients	No. of Days' Treatment
1924	21	68	188	493	10,313	201,731
1925	22	71	195	565	10,356	206,367
1926	23	81	208	623	11,201	227,439

Of these railway institutions, the Central Hospital and Hospital for the Insane are maintained at Harbin.

It should be remembered that these hospitals underwent a change in management when the Chinese Eastern Railway was brought under the joint control of the Mukden Government and Soviet Russia in 1924. Two-thirds of the staffs are Russian and the remainder Chinese.

Besides these hospitals, the Chinese Eastern Railway maintains thirteen physicians and four dentists, who visit the schools twice a year and give medical aid and dental treatment to the school children. Those receiving such treatment during 1925 and 1926 numbered over 12,000.

127 Plague Prevention Co-operative Measures

During the last two decades, Manchuria was visited several times by the most fatal infectious diseases — the pneumonic plague in 1910-11, cholera epidemic in 1919, the pneumonic plague in 1920-21, and the same in 1927. The plague in 1910-11 was most dreadful, and spread from its source in Trans-Baikal to the southern-most point in Shantung, through Manchuria, a distance of about 3,000 miles, with the result that 50,000 victims were reported, mostly in Manchuria. In 1910-11, co-operative preventive measures were taken by the Chinese, Japanese and Russian authorities concerned, but their application was rather late and failed to prevent heavy mortality. Profiting by past experience, when plague again broke out in 1920-21, co-operative measures were more promptly applied and the disease kept within the affected district, in North Manchuria along the Chinese Eastern Railway, the number of deaths being 7,600. In 1927, when the plague broke out in Paiyintala prefecture, Eastern Inner Mongolia, it was kept within narrow limits, and although Paiyintala is today connected by railway with the South Manchuria and Chinese Eastern lines, not a single case appeared in North or South Manchuria.

128 Anti-Plague Campaign in 1910-11

It is of interest to give in more detail an account of the anti-plague campaign undertaken by the Chinese, Japanese and Russians in Manchuria. It is said that the tarbagan, a Siberian rodent, was the medium of infection. Pneumonic plague in 1910-11 started with some bubonic cases which broke out in the Trans-Baikal as early as August, 1910, among Russian hunters of the tarbagan. "It gradually spread and later assumed pneumonic features with cough and bloody sputum." Chinese attendant on these Russian sufferers were attacked, became frightened and escaped to Manchouli, where several cases occurred. The disease spread with alarming rapidity in the towns along the Chinese Eastern Railway in September. When Dr. Yasunobu, Superintendent of the Dairen Hospital, was sent at the end of October to Harbin to investigate the plague condition in North Manchuria, the plague already had penetrated Harbin, where several cases broke out. There was an alarming tendency for the disease to move south, at a time when most of the Shantung coolie immigrants were returning to the home province for the New Year festival. The South Manchuria Railway immediately instituted precautionary measures along the Railway Zone, in co-operation with the Kwantung Government. Changchun reported the first case in November, and Mukden soon afterwards. Railway quarantine inspection was inaugurated at the Changchun, Mukden, and Wafangtien stations in November; and two quarantine physicians boarded each train south bound from Changchun. On the last day of December, a case of the plague appeared in a train, and several victims among other Chinese coolie passengers were found. The plague finally penetrated Dairen, where the first case was reported on January 5, 1911.

In North Manchuria, specially in Harbin, the epidemic was becoming more violent, and "between 140 and 180 were dying every day out of the small population of 25,000 in Fuchiatien, the Chinese quarter of Harbin." Hundreds of corpses were piled or scattered on the streets and in open fields until Dr. Woo Lien-teh, one of the noted Chinese physicians, who was sent by the Peking Government to Harbin in December, 1910, obtained Imperial sanction for the cremation of the dead on the last day of January, 1911, as the result of an urgent appeal. Most of the Chinese in Harbin were flying in all directions, on foot and by cart and train. Confronted with such a serious menace of the plague from the North, the Kwantung Government and the S. M. R. took more posi-

tive steps in the anti-plague campaign. Passengers, especially Chinese coolies coming from the plague zone of the North, were segregated at Changchun station and isolated for certain days, not to be released until after they had been proved free from contagion. An Extraordinary Epidemic Prevention Headquarters was established at Dairen on the 15th January, with a view to effecting more uniform and effective measures by maintaining communication and co-operation with the Japanese consular authorities and army in Manchuria.

In order to prevent the spread of the plague to Japan and other countries, through shipping, a thorough system of health inspection was adopted at the Port of Dairen and Port Arthur, when passengers or cargoes going abroad were subjected to rigorous quarantine inspection.

On the other hand, the Government-General of Korea provided thorough precautionary measures against the possible spread of the dread disease from Manchuria to Korea. Soon after the pest breaking out on January 16, at Chikuanshan, on the Antung-Mukden line, 50 miles from the Korea boundary, a sentry line running over 100 miles along the Yalu river, guarded by a force of over 2,000 police, gendarmes and others, was established. The river being frozen, afforded easy access to Korea by the Chinese masses. By this stringent measure, their unrestricted entrance to Korea was prevented, and their passage being provided for at certain specified points, travellers were allowed to cross the river only after several days' detention.

The Japanese Home Government under the Premier, Prince Katsura, regarded the plague raging in Manchuria as the most serious menace to humanity and the civilization of the world at large, if it should spread outside Manchuria. The Government appropriated one million yen to reinforce the anti-plague campaign funds in Manchuria. Simultaneously, Dr. Kitazato, the famous bacteriologist, accompanied by Director Yegi, of the Colonial Bureau, was sent to Manchuria to ascertain the actual conditions.

It was found that, no matter what preventive measures be taken in the area of Japanese jurisdiction, the Railway Zone and Leased Territory, the efficiency of the anti-plague campaign could not be maintained without the full co-operation of the Chinese authorities in the areas contiguous to the Japanese jurisdiction. The South Manchuria Railway offered 150,000 yen to the Government-General of the Three Eastern Provinces at Mukden, and suggested prompt action in the formation of Sino-Japanese co-operative measures. On February 11, the Governor-General of the Kwantung Peninsula, General Oshima, called on Governor-

Corpses of Plague Victims at Fuchiatien, the Chinese Quarter at Harbin.

Plague Victims disinfected by Japanese Quaratine Officers at Changchun.

Plague Victims evacuated from Isolation House.

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General Hsi Liang, of the Three Eastern Provinces, and the Sino-Japanese Co-operative Plague Prevention Conference came into existence on Feb. 28. Subsequently the Extraordinary Epidemic Prevention Headquarters maintained by the Japanese at Dairen were transferred to Mukden, and carried on the anti-plague campaign in co-operation with the Chinese authorities.

In North Manchuria, when Dr. Woo Lien-teh obtained Imperial sanction from Peking for the cremation of the plague victims, unburied coffins and corpses in Harbin were piled together, kerosene oil poured over them, and they were fired. Thus the Chinese quarter in Harbin was cleared out, while other preventive measures were rigorously enforced.

The plague in Manchuria rapidly declined, and was practically exterminated by the middle of March. In the Japanese Leased Territory and Railway Zone, the last case was disposed of at Kungchuling on March 18, 1911.

According to the statement made by the Chinese authorities, the total victims of the plague of 1910-1 aggregated 60,000, including 7,000 in Harbin, 6,000 in Changchun, and 5,000 in Mukden. Within the Japanese jurisdiction of the Leased Territory and Railway Zone, the total cases reported numbered 228.

In the anti-plague campaign in 1910-11, the sum of 2,559,685 yen was spent by the Japanese authorities, apportioned as follows:

Home Government	1,000,000
Kwantung Government	684,075
South Manchuria Railway Company	860,863
Japanese Hygienic Associations in Manchuria	14,747
Total	2,559,685

In addition, the sum of 142,000 yen was spent by the Government-General of Korea. The peninsula completely escaped invasion of the plague from Manchuria, not a single case being reported.

129 Anti-Plague Campaigns in Later Years

In December, 1917, the pest again broke out, this time in the Paotouchen district of Mongolia, and spread to Shansi province. When it reached Peking, Dr. Tsurumi, of the S. M. R. was despatched to Peking to watch the movement. The plague travelled further south, in the direction of Nanking, via Tsinan. It is said the plague invaded nine provinces of China proper and claimed 16,000 victims. At this time

Manchuria fortunately escaped from the invasion.

Two years later, Manchuria was invaded by cholera, but from South China. The cholera first broke out in India, in the spring of 1909, and travelled to South China through the South Seas. The Japanese consular authorities in Hsientou, Fuchou, and Shanghai frequently reported in June, that cholera cases were occurring in their respective districts.

While the Kwantung Government, in co-operation with the South Manchuria Railway Company at Dairen, and later in co-operation with Chinese Customs authorities at Newchwang, prepared special quarantine inspection for ships from the Shanghai district, the first case broke out at Dairen on July 9, and several at Newchwang on the 8th. The outbreak at Newchwang gradually penetrated along the railway to Mukden, from which it travelled in a northern direction to Changchun, Kirin, Harbin, Tsitsihar, and in an eastern direction to Antung; the plague case landed at Dairen gradually spread the disease in the Japanese Leased Territory and the southern part of the Railway Zone. Detention stations, together with isolation houses, were erected at Dairen, Port Arthur, Mukden, Newchwang, and other important towns along the railway. Moreover, disinfecting arrangements were provided on fifteen passenger trains. As the epidemic assumed a more serious aspect, the Kwantung Government, in conjunction with the S. M. R., organized an Extraordinary Epidemic Headquarters at Mukden, where, because of its central location, the anti-plague campaign might be better directed and controlled. In this campaign, at the outset, more than 200 police and 100 quarantine officers were employed besides several hundred officers and employees of the S. M. R. This was soon found insufficient, and 158 police officers and 71 preventive experts were engaged from Japan. Dr. Miyajima of the Kitazato Bacteriological Institute, Tokyo, also visited Manchuria as an adviser in the campaign.

The epidemic was suppressed in October, 1919. The total number of cases treated in the Leased Territory and the Japanese Railway Zone was 2,935, of which 2,555 were Chinese, 433 Japanese, and 47 Koreans. According to a report made by the Chinese authority, the total number of persons affected by the plague outside Japanese jurisdiction was 45,251, and deaths 27,288. In this campaign, about a million yen was spent as extraordinary expense by the Japanese, apportioned as follows:—

First Outlay by the Kwantung Government	80,000
Second „ „ „ „	238,000
Contribution by S. M. R.	360,000
S. M. R.'s Own Outlay	330,504
Total	1,008,504

In the pneumonic plague outbreak of 1920-1, the first case, in bubonic form, broke out at Abakait, near Manchouli, and was reported in August, 1920. In September it appeared at Hailar, and turned to the pneumonic form in December. It gradually spread eastward, finally to Vladivostock, along the Chinese Eastern Railway, in January, 1921, from Harbin. When the plague was contaminating Hailar and Dalainor in December, the Russian authorities attached so-called "hygienic cars" with a quarantine officer and nurses, to each passenger train. When Harbin was about to be menaced, the Chinese Eastern Railway invited the Chinese, Japanese and Russian authorities to a conference, which was held on January 6 to discuss and arrange co-operative measures of plague prevention, while the Harbin Extraordinary Plague Prevention office was created by the Chinese authorities at Fuchiatien, the Chinese quarter at Harbin. As on the Japanese side, information on the plague movement was received from the Japanese consular and other sources, since the plague appeared in Hailar in September, 1920. When it penetrated Harbin in January, the Kwantung Government, in conjunction with the S. M. R., organized a quarantine office at Changchun, the junction station of the S. M. R. and Chinese Eastern Railways, with the object of preventing the southward march of the plague. At Changchun, Mukden, Kaiyuan and Tashihchiao, railway sidings were laid, and freight cars were kept at these sidings for the accommodation of victims. Several detaining stations were put up at Changchun, capable of accommodating over 2,000 patients. Third class passengers, chiefly Chinese coolies, who intended to change car after travelling on the Chinese Eastern or the Kirin-Changchun line, were detained for five days, and none other than those provided with certificates of good health were permitted to continue the southward journey. In order to make the frontier prevention work more effective, such as preventing many southbound coolies travelling on foot, closer co-operation of the Sino-Japanese authorities was maintained by frequent conferences. In the anti-plague campaign of 1920-1, the harmonious co-operation between the Chinese, Japanese and Russian authorities, enabled them to check effectively the spread of the plague, so that it was eliminated in North Manchuria, the total victims numbering 7,710, of whom 6,957 were in the Chinese

Eastern Railway Zone, 640 in Vladivostok, 29 within the city wall of Changchun, 35 outside the Railway Zone between Changchun and Mukden, and 30 within the Railway Zone in this area. That is to say, cases in the Railway Zone of South Manchuria numbered only thirty. In this anti-plague campaign, about half a million yen were spent on the Japanese side by the Kwantung Government and the S. M. R. Doubtless, the expenditure by the Chinese and Russians was greater.

When pneumonic cases occurred in September, 1926, at Dangli, 125 Chinese miles north from Paiyintala, Eastern Inner Mongolia, which were reported by the Japanese Consul at Paiyintala, Dr. Otsuki, of the Kwantung Government, and Drs. Kanai and Hado, of the S. M. R., were sent to Paiyintala. A conference with Chinese authorities was held at the Japanese Consulate to discuss preventive measures, and these in the Paiyintala district were left to Chinese execution.

On the other hand, the South Manchuria Railway provided all possible plague preventive measures at Ssupingkai, the junction of the Paiyintala-Taonan-Ssupingkai Railway, and at Mukden station, while the Chinese Eastern Railway provided similar measures at Changchun, specially for north-bound passengers. Fortunately, the plague in Paiyintala prefecture was finally exterminated at the end of November, with 500 victims, and no single case was reported in either North or South Manchuria.

130 International Plague Conferences in Manchuria

Soon after the dreadful visitation of 1910-11, an International Plague Conference was held at Mukden in April, 1911, at the invitation of the Chinese Government. The participants in this conference were Austria, China, France, Germany, Great Britain, Holland, Italy, Japan, Mexico, Russia, and the United States. These Powers sent experts of high reputation as their representatives, and Japan was represented by Dr. Kitazato, the Superintendent of the Kitazato Bacteriological Institute of Tokyo. The question was discussed whether the tarbagan, or other wild rodent on the Siberian border of Manchuria or Mongolia, was the actual medium of the pest; and research work concerning the relation of the plague with rodents was entrusted to China and Russia, as having closer relations with the origin of the plague. All matters relating to the disposal of plague victims, cremation, disinfection, etc., were discussed and important resolutions thereupon made. It was resolved that the railway companies in North Manchuria, as well as in South

Plague Prevention in Manchuria — a Group of Passengers at Changchun, interned for a few days before continuing their journey south.

Members of the Sino-Japanese Plague Prevention Conference.

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Manchuria should maintain co-operative plague preventive measures. The conference also proposed that the Chinese Government establish plague prevention hospitals in Manchuria. Acting upon this proposal, the Chinese Government established four hospitals in Manchuria, as stated in Section 125. Later, it was arranged that tarbagan hunters should be registered and receive official permits from the Chinese authorities; further, that two skin disinfecting stations be established at Manchouli and Hailar respectively under medical direction.

With the object of exchanging views on hygienic matters in South Manchuria, the Kwantung Government and the South Manchuria Railway under the auspicies of the League of Nations invited in November, 1925 hygienic experts of different countries to a conference. These included Australia, Dutch East India, Federated Malay States, Hongkong, India, Indo-China, New Zealand, the Philippines, Siam, Straits Settlements, and Japan proper. Several authorities of the Health Section of the League of Nations, including Dr. Woo Lien-teh, Director and Chief Medical Officer of North Manchuria Plague Prevention Service, were present at this international conference, held at Dairen. After the opening address of the Chairman Mr. Fujita, of the Kwantung Government, brief remarks on hygienic administration in the Leased Territory and the S. M. Railway area, and on cattle epidemics in Manchuria, were made by the respective authorities, and frank criticisms and suggestions from foreign delegates on hygiene in South Manchuria, were invited, for reference or future use in the further improvement of hygienic practice in Manchuria. Most of the foreign delegates expressed their unreserved admiration of the Japanese hygienic administration, and the modern equipment extended not to any one group, or particular races, but to all nationals. Among them, Dr. C. Manalang, from the Philippines, said "the Chinese people should congratulate themselves on having with them here some of the ablest Japanese scientists as well as administrators whose primary aim in their activities is for the development of the country and the welfare of its people." Dr. Woo Lien-teh gave an interesting historical sketch of the anti-plague campaign in North Manchuria, particularly referring to the close co-operation between Chinese, Japanese and Russian authorities in matters relating to pneumonic plague.

Finally, Dr. Rajchman, chairman of the Health Section, League of Nations, said in part that holding the sum of 1,000,000 yen in reserve for epidemic prevention by the S. M. R. to be drawn upon whenever emergency required "is without a parallel and is an excellent thing."

131 Cattle Epidemics

Although there were numerous herds of horses and cattle in Manchuria, modern cattle plague prevention measures were not undertaken until the Kwantung Government promulgated the Cattle Epidemic Regulations in 1906, which were subsequently enforced also in the Railway Zone. These Regulations were revised in 1919, and operated in common both in the Leased Territory and Railway Zone.

Most of the cattle epidemics in Manchuria are in the form of rinderpest, anthrax, foot and mouth disease, "schweine rothlauf," hog-cholera, rabies, and sheep-pox. The aggregate number of such epidemics reported during the ten years from 1916 was 4,052, of which 3,169 cases belonged to the Leased Territory and 883 to the Railway Zone.

A Cattle Epidemic Institute was established at Mukden in 1925 by the South Manchuria Railway Company at a cost of 250,000 yen, its annual up-keep amounting to 80,000 yen. The Institute manufactures almost every kind of cattle plague vaccine and serum, including hydrophobia vaccine, tuberculine, and mallein. Previously the Leased Territory and Railway Zone received supplies of these anti-cattle plague vaccines and serums from the Agriculture and Forestry Department of the Imperial Government, Tokyo, and the Government-General of Korea. But the Institute today is able to supply not only requirements in South Manchuria, but those of North Manchuria also, if required.

APPENDIX

Text of the Treaties, Portocols, Agreements, Notes of Exchange, and Statutes of the Powers concerned Manchuria and other partial Provisions.

No. 1

Provision relating to Cession of "Liaotung Peninsula" to Japan in Treaty of Shimonoseki — April 17, 1895

"ARTICLE II.—Cession of part of Fengtien Province.—China cedes to Japan in perpetuity and full sovereignty the following territories, together with all fortifications, arsenals, and public property thereon:

"(a) The southern portion of the province of Fengtien, within the following boundaries:—

"The line of demarcation begins at the mouth of the River Yalu and ascends that stream to the mouth of the River An-ping; from thence the line runs to Feng-huang; from thence to Haicheng; from thence to Yingkou, forming a line which describes the southern portion of the territory. The places above named are included in the ceded territory. When the line reaches the River Liao at Yingkou, it follows the course of that stream to its mouth where it terminates. The mid-channel of the River Liao shall be taken as the line of demarcation.

"This cession also includes all islands appertaining or belonging to the province of Fengtien, situated in the eastern portion of the Bay of Liaotung and in the northern part of the Yellow Sea.

"(b) The island of Formosa, together with all islands appertaining or belonging to said island of Formosa.

"(c) The Pescadores Group, that is to say, all islands lying between the 119th and 120th degrees of longitude east of Greenwich and the 23rd and 24th degrees of north latitude."

No. 2

Note of Russia, France and Germany recommending retrocession of the Liaotung Peninsula — April 23, 1895

(a) Recommendation du Ministre de Russie à Tokyo.

Le Gouvernement de Sa Majesté l'Empereur, mon Auguste Maître, en examinant les conditions de paix que le Japon impose à la Chine, trouve que la possession de la presqu'île de Liaotoung réclamée par le Japon, serait une menace constante contre la capitale de la Chine, en même temps qu'elle rendrait illusoire l'indépendance de la Corée, que dès lors elle serait un perpétuel obstacle à une pacification durable de l'Extrême Orient.

En conséquence la Gouvernement de Sa Majesté l'Empereur, mon Auguste Maître, croit donner une nouvelle preuve de son amitié sincère au Gouvernement de Sa Majesté l'Empereur du Japon en Lui conseillant de renoncer à la possession définitive de la presqu'île de Liaotoung.

(b) Recommendation du Ministre de Françe à Tokyo.

Le Gouvernement de la République Française estime que la possession de la presqu'île de Liaotoung est une menace pour la capitale de la Chine, qu'elle rendrait illusoire l'indépendance de la Corée, et serait un obstacle perpétuel à la pacification de l'Extrême-Orient. Désireux de donner au

Gouvernement Impérial une nouvelle preuve des sentiments amicaux qui l'animent à l'égard du Japon, le Gouvernement de la République Française croit donc devoir donner au Gouvernement Impérial le Conseil amical de renoncer à la possession définitive de cette presqu'île.

Fait à Tokyo, le 23 avril 1895.

L'envoyé extraordinaire et Ministre Plénipotentiaire de la République Française au Japon. Signé : J. Harmand.

(c) Empfehlungs-Note des Deutschen Gesandten in Tokio.

„ Meine hohe Regierung hat mich angewiesen zu erklären :

„ „ Die Prüfung der japanischen Friedensbedingungen drängt der deutschen Regierung die Überzeugung auf, dass die von Japon verlangte Besitznahme von Liaotoung eine constante Bedrohung der Hauptstadt von Chine sein und gleichzeitig die Unabhängigkeit Korea's illusorisch machen würde, dass sie sich folglich als dauerndes Hinderniss für den Frieden Ostasiens darstellt. Deutschland räth daher, auf definitive Besitznahme der Halbinsel zu verzichten." "

Ich bin beautragt an vorstehende Erklärung folgende Bemerkungen zu knüpfen :

„ „ Japon hat im Verlaufe des gegenwärtigen Krieges mehr als einen Beweis der freundschaftlichen Disposition Deutschlands erhalten. Die von England bereits unter dem 7 *ten* Oktober v. J. vorgeschlagene Einmischung der Grossmächte in den Japanisch-Chinesischen Streit hat Deutschland damals aus Freundschaft für Japan abgelehnt. Ferner hat die Regierung Seiner Majestät des Kaisers unter dem 8. März d. J. der Japanischen Regierung Beschleunigung des Friedens und Mässigung in den Bedingungen empfohlen. Im Hindblick auf eine wahrscheinliche, durch China erbetene Intervention der Mächte hat Deutschland damals den unvermittelten Friedensschluss unter billigen Bedingungen als für Japon verhältnissmässig am vortheilhaftesten bezeichnet und dabei hervorgehoben, dass die Forderung einer Gebietsabtretung auf dem Festlande *besonders* geeignet seint würde, eine Intervention zu provoziren. Japan hat diese uneigenützigen Ratschläge nicht beherzigt.

Die jetzigen Japanischen Friedensbedingungen sind übertrieben ; sie verletzen Europaische, auch Deutsche Interessen, wenn shon letztere in gelingerem Masse.

Die Regierung Seiner Majestät des Kaisers ist daher jetzt heranlasst mit zu protestiren und wird falls erforderlich, ihrem Pretest auch den nötigen Hochdruck zu geben wissen.

Japan kann daher nachgeben, der Kampf gegen drei Grossmächte aussichtslos." "

No. 3

Treaty of Alliance between China and Russia — May, 1896*

ARTICLE I.—The High Contracting Parties engage to support each other reciprocally by all the land and sea forces in any aggression directed by Japan against Russian territory in Eastern Asia, China or Korea.

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* This Treaty was kept secret until a telegraphic summary of its text was submitted to the Washington Conference of 1920-21 by the Chinese Delegation.

ARTICLE II.—No treaty of peace with an adverse party can be concluded by either of them without the consent of the other.

ARTICLE III.—During military operations all Chinese ports shall be open to Russian vessels.

ARTICLE IV.—The Chinese Government consents to the construction of a railway across the Provinces of Amur and Kirin in the direction of Vladivostok. The construction and exploitation of this railway shall be accorded to the Russo-Chinese Bank. The contract shall be concluded between the Chinese Minister at St. Petersburg and the Russo-Chinese Bank.

ARTICLE V.—In time of war Russia shall have free use of the railway for the transport and provisioning of her troops. In time of peace Russia shall have the same right for the transit of her troops and provisions.

ARTICLE VI.—The present treaty shall come into force from the day on which the contract stipulated in Article IV shall have been confirmed. It shall have force for fifteen years.

No. 4

(CHINA AND RUSSIA)

Contract for the Construction and Operation of the Chinese Eastern Railway—September 8, 1896

Between the undersigned, His Excellency Shu King-chen, Minister Plenipotentiary of His Majesty the Emperor of China, at St. Petersburg, acting by virtue of an Imperial Edict, dated Kuang Hsü, 22nd year, 7th month, day 20th (August 16/28, 1896), of the one part, and the Russo-Chinese Bank, of the other part, it has been agreed as follows:

The Chinese Government will pay the sum of five million Kuping taels (Kuping Tls. 5,000,000) to the Russo-Chinese Bank, and will participate in proportion to this payment in the profits and losses of the bank, on conditions set forth in a special contract.

The Chinese Government having decided upon the construction of a railway line, establishing direct communication between the city of Chita and the Russian South Ussuri Railway, entrusts the construction and operation of this railway to the Russo-Chinese Bank upon the following conditions:

1.—The Russo-Chinese Bank will establish for the construction and operation of this railway a company under the name of the Chinese Eastern Railway Company.

The seal which this Company will employ will be given to it by the Chinese Government. The statutes of this Company will be in conformity with the Russian usages in regard to railways. The shares of the Company can be acquired only by Chinese or Russian subjects. The president of this Company will be named by the Chinese Government, but paid by the Company. He may have his residence in Peking.

It will be the duty of the president to see particularly to the scrupulous fulfilment of the obligations of the Bank and of the Railway Company towards the Chinese Government; he will furthermore be responsible for the relations of the Bank and of the Railway Company with the Chinese Government and the central and local authorities.

The president of the Chinese Eastern Railway Company will likewise be responsible for examining all accounts of the Chinese Government with the Russo-Chinese Bank.

To facilitate local negotiations, the Russo-Chinese Bank will maintain an agent at Peking.

2.—The route of the line will be determined by the deputies of the president (named by the Chinese Government) of the Company, in mutual agreement with the engineers of the Company and the local authorities. In laying out this line, cemeteries and tombs, as also towns and villages, should so far as possible be avoided and passed by.

3.—The Company must commence the work within a period of twelve months from the day on which this contract shall be sanctioned by imperial decree, and must so carry it on that the whole line will be finished within a period of six years from the day on which the route of the line is definitely established and the lands necessary therefor are placed at the disposal of the Company. The gauge of the line should be the same as that of the Russian railways (5 Russian feet — about four feet, two and one-half inches, Chinese).

4.—The Chinese Government will give orders to the local authorities to assist the Company to the extent of their ability in obtaining, at current prices, the materials necessary for the construction of the railway, as also laborers, means of transport by water and by land, the provisions necessary for the feeding of men and animals, etc.

The Chinese Government should, as needed, take measures to facilitate such transportation.

5.—The Chinese Government will take measures to assure the safety of the railway and of the persons in its service against any attack.

The Company will have the right to employ at will, as many foreigners or natives as it many find necessary for the purpose of administration, etc.

Criminal cases, lawsuits, etc., upon the territory of the railway, must be settled by the local authorities in accordance with the stipulations of the treaties.

6.—The lands actually necessary for the construction, operation, and protection of the line, as also the lands in the vicinity of the line necessary for procuring sand, stone, lime, etc., will be turned over to the Company freely, if these lands are the property of the State; if they belong to individuals, they will be turned over to the Company either upon a single payment or upon an annual rental to the proprietors, at current prices. The lands belonging to the Company will be exempt from all land taxes (impôt foncier).

The Company will have the absolute and exclusive right of administration of this land. (La Sociètè aura le droit absolu et exclusif de l'administration de ses terrains.)

The Company will have the right to construct on these lands buildings of all sorts, and likewise to construct and operate the telegraph necessary for the needs of the line.

The income of the Company, all its receipts and the charges for the transportation of passengers and merchandise, telegraphs, etc., will likewise

be exempt from any tax or duty. Exception is made, however, as to mines, for which there will be a special arrangement.

7.—All goods and materials for the construction, operation, and repair of the line, will be exempt from any tax or customs duty and from any internal tax or duty.

8.—The Company is responsible that the Russian troops and war material, despatched in transit over the line, will be carried through directly from one Russian station to another, without for any pretext stopping on the way longer than is strictly necessary.

9.—Passengers who are not Chinese subjects, if they wish to leave the territory of the railway, should be supplied with Chinese passports. The Company is responsible that passengers, who are not Chinese subjects, should not leave the territory of the railway if they do not have Chinese passports.

10.—Passengers' baggage, as well as merchandise despatched in transit from one Russian station to another, will not be subject to customs duties; they will likewise be exempt from any internal tax or duty. The Company is bound to despatch such merchandise, except passengers' baggage, in special cars, which, on arrival at the Chinese frontier, will be sealed by the office of the Chinese Customs, and cannot leave Chinese territory until after the office of the Customs shall have satisfied itself that the seals are intact; should it be established that these cars have been opened on the way without authorization, the merchandise would be confiscated.

Merchandise imported from Russia into China by the railway, and likewise merchandise exported from China into Russia by the same route, will respectively pay the import and export duty of the Chinese Maritime Customs, less one-third.

If merchandise is transported into the interior it will pay in addition the transit duty — equivalent to a half of the import duty collected — which frees it from any further charge.

Merchandise not paying the transit tax will be subject to all the barrier and likin duties imposed in the interior.

The Chinese Government must install customs offices at the two frontier points on the line.

11.—The charges for the transportation of passengers and of merchandise, as well as for the loading and unloading of merchandise, are to be fixed by the Company, but it is obliged to transport free of charge the Chinese official letter post, and, at half price, Chinese land or sea forces and also Chinese war materials.

12.—The Chinese Government transfers to the Company the complete and exclusive right to operate the line on its own account and risk, so that the Chinese Government will in no case be responsible for any deficit whatsoever of the Company, during the time allotted for the work and thereafter for a further eighty years from the day on which the line is finished and traffic is in operation. This period having elapsed, the line, with all its appurtenances, will pass free of charge to the Chinese Government.

At the expiration of thirty-six years from the day on which the entire line is finished and traffic is in operation, the Chinese Government will have the right to buy back this line upon repaying in full all the capital

involved, as well as all the debts contracted for this line, plus accrued interest.

If — in case the profit realized exceeds the dividends allowed to the shareholders — a part of such capital is repaid, that part will be deducted from the price of repurchase. In no case may the Chinese Government enter into possession of this line before the appropriate sum is deposited in the Russian State Bank.

The day when the line is finished and traffic is in operation, the Company will make to the Chinese Government a payment of five million Kuping taels (Kuping Tls. 5,000,000).

Kuang Hsü, 22nd year,
8th month, 2nd day. Berlin, August 27/September 8, 1896.

(Signed) Shu.

RUSSO-CHINESE BANK.
(Signed) Rothstein.
(Signed) Prince Oukhtomsky.

No. 5

Statutes of the Chinese Eastern Railway Company — December 16, 1896

Formation of the Company.—§ 1. On the strength of the Agreement concluded on the 27th August/8th September, 1896, by the Imperial Chinese Government with the Russo-Chinese Bank, a Company is formed under the name of the " Chinese Eastern Railway Company " for the construction and working of a railway within the confines of China from one of the points on the western borders of the Province of Heilungkiang, to one of the points on the eastern borders of the Province of Kirin and for the connection of the railway with those branches which the Imperial Russian Government will construct to the Chinese frontier from Trans-Baikalia and the southern Ussuri lines. [*Observation.* The Company is empowered, subject to the sanction of the Chinese Government, to exploit, in connection with the railway or independently of it, coal mines, as also to exploit in China other enterprises — mining, industrial, and commercial. For the working of these enterprises which may be independent of the railway, the Company shall keep accounts separate from those of the railway.]

The formation of the Company shall be undertaken by the Russo-Chinese Bank.

With the formation of the Company all rights and obligations are transferred to it in regard to the construction and working of the line ceded in virtue of the above-named Agreement of the 27th August/8th September, 1896.

The Company shall be recognized as formed on the presentation to the Minister of Finances of a warrant of the State Bank certifying the payment of the first instalment on the shares. In any case such payment must be made not later than two months from the day of confirmation of the present Statutes.

The succeeding instalments on the shares shall be paid in such orders of gradation that the shares shall be fully paid up at their nominal value not later than one year from the day of formation of the Company.

Owners of shares of the Company may only be Russian and Chinese subjects.

Term of Concession.—§ 2. In virtue of the Agreement with the Chinese Government, the Company shall retain possession of Chinese Eastern Railway during the course of eighty years from the day of the opening of traffic along the whole line.

Obligation towards the Russian Government.—§ 3. In recognition that the enterprise of the Chinese Eastern Railway will be realized only owing to the guarantee given by the Russian Government in regard to the revenue of the line for covering working expenses as well as for effecting the obligatory payments on the bonds (§§ 11, 16), the Company, on its part, binds itself to the Russian Government during the whole term of the Concession under the following obligations:—

(a) The Chinese Eastern Railway with all its appurtenances and rolling-stock must be always maintained in full order for satisfying all the requirements of the service of the line, in regard to the safety, comfort, and uninterrupted conveyance of passengers and goods;

(b) The traffic on the Chinese Eastern line must be maintained conformably with the degree of traffic on the Russian railway lines adjoining the Chinese line;

(c) The trains of all descriptions running between the Russian Trans-Baikal and Ussuri lines shall be received by the Chinese Eastern Railway and dispatched to their destination in full complement without delay;

(d) All through trains, both passenger and goods, shall be dispatched by the Eastern Chinese railway at rates of speed not lower than those which shall be adopted on the Siberian Railway;

(e) The Chinese Railway in bound to establish and maintain a telegraph along the whole extent of the line and to connect it with the telegraph-wire of the Russian adjoining railways, and to receive and dispatch without delay through telegrams sent from one frontier station of the line to another, as also telegrams sent from Russia to China, and conversely;

(f) Should, with the development of traffic on the Chinese Eastern Railway, its technical organization prove insufficient for satisfying the requirements of a regular and uninterrupted passenger and goods traffic, the Chinese Eastern Railway shall immediately, on receipt of a notification on the part of the Russian railways to augment its capacity to a corresponding degree, adopt the necessary measures for further developing its technical organization and the traffic on it. In the event of a difference of opinion arising between the above-mentioned railways, the Chinese Eastern Railway shall submit to the decision of the Russian Minister of Finances. If the means at the command of the Chinese Eastern Railway prove insufficient for carrying out the necessary work of its development, the Board of Management of the railway may at all time apply to the Russian Minister of Finances for pecuniary assistance on the part of the Russian Government;

(g) For all transit conveyance of passengers and goods, as also for the transmission of telegrams there will be established by agreement of the Company with the Russian Government for the whole term of duration of the Concession (§ 2), maximum tariffs, which cannot be raised without the consent of the Russian Government during the whole term above referred to. Within these limits the tariffs of direct communication both for railway

carriage and telegrams will be fixed by the Board of Management of the Company on the strength of a mutual agreement with the Russian Minister of Finances;

(h) The Russian letter and parcels-post, as also the officials accompanying the same, shall be carried by the Chinese Eastern Railway free of charge.

For this purpose the company shall set apart in each ordinary passenger train a carriage compartment of 3 fathoms in length. The Russian postal authorities may, moreover, if they deem it necessary, place on the line postal carriages, constructed by them at their own cost; and the repair, maintenance (interior fittings excepted) as well as the running of such carriages with the trains shall be free of charge and at the cost of the railway.

The above-mentioned engagements, by which, as already stated, the grant of a guarantee by the Russian Government is conditioned and the consequent realization of the enterprise of the Chinese Eastern Railway, shall be binding on the railway until the same, after the expiration of the eighty years' term of the Concession, shall without payment become the property of the Chinese Government (§ 29). The redemption of the line from the Company before the above-mentioned term in accordance with § 30 of the present Statutes shall not in any way diminish the effect of the above specified engagements, and these latter, together with the railway, shall be transferred to its new proprietor.

In the same manner during the course of the whole eighty years' term of the Concession (§ 2) the following privileges granted to the railway by the Imperial Chinese Government shall remain in force:—

(a) Passengers' luggage, as also goods, carried in transit from one Russian station shall not be liable to any Chinese customs duties, and shall be exempt from all internal Chinese dues and taxes;

(b) The rates for the carriage of passengers and goods, for telegrams, &c., shall be free from all Chinese taxes and dues;

(c) Goods imported from Russia into China by rail and exported from China to Russia in the same manner shall pay respectively an import or export Chinese duty to the extent of one-third less as compared with the duty imposed at Chinese seaport custom-houses;

(d) If goods imported by the railway are destined for conveyance inland they shall in such case be subject to payment of transit duty to the extent of one-half of the import duty levied on them, and they shall then be exempted from any additional imposts. Goods which shall not have paid transit duty shall be liable to payment of all established internal barrier and likin dues.

Immunities of the Company in regard to Russian Customs Dues.—§ 4. In regard to the place of acquisition of materials for the requirements of the railway, the Company shall not be liable to any limitations.

If materials be obtained beyond the confines of Russia, they shall, on importation through Russian territory, be freed from payment of Russian customs duties.

Technical Conditions; Periods of Time for the Commencement and Termination of the Works.—§ 5. The breadth of the railways track must be the same as that of the Russian lines (5 feet).

The Company must commence the work not later than the 16th August,

1897, and conduct it in such a manner that the whole line shall be completed not later than six years from the time when the direction of the line shall be finally determined and the necessary land assigned to the Company.

When tracing the line of the railway, cemeteries and graves, as also towns and villages, must as far as possible, be left aside of the railway.

When effecting the connection, in accordance with § 1 of these Statutes, of the Chinese Eastern Railway with the Russian Trans-Baikal and South Ussuri lines the Company shall have the right, with a view to reduction of expenditure, of abstaining from building its own frontier stations and of utilizing the frontier stations of the above-named Russian lines. The conditions on which they shall be utilized shall be determined by agreement of the Board of the Company with the Boards of the respective railways.

Tariffs.—§ 6. The tariffs for the carriage of passengers and goods, as also for supplementary carriage rates, shall be determined by the Company itself, within the limits indicated in § 3.

Order of Examination of Legal Suits, and the Establishment of Rules for Railway Conveyance.—§ 7. Offences, litigation, &c., on the territory of the Chinese Eastern Railway shall be dealt with by local authorities, Chinese and Russian, on the basis of existing Treaties.

In regard to the carriage of passengers and goods, the responsibility for such conveyance, the lapse of time for claims, the order of recovering money from the railway when adjudged, and the relations of the railway to the public shall be defined in rules drawn up by the Company and established before the opening of the railway traffic; these rules shall be framed in accordance with those existing on Russian railways.

Maintenance of Security and Order on the Railway.—§ 8. The Chinese Government has undertaken to adopt measures for securing the safety of the railway and of all employed on it against any extraneous attacks.

The preservation of law and order on the lands assigned to the railway and its appurtenances shall be confided to police agents appointed by the Company.

The Company shall for this purpose draw up and establish police regulations.

Foundation Capital of the Company.—§ 9. The whole amount of the capital of the Company shall be determined according to the cost of construction calculated on the basis of estimates framed when the survey of the line was carried out. The foundation capital shall be charged with:—

(a) The payment of interest and amortization of the foundation capital during the construction of the railway;

(b) The purchase from the Russian Government of the results of the surveys of the direction of the railway to Manchuria, which were made by Russian engineers, the sum payable for these surveys being determined by agreement of the Russian Minister of Finances with the Company.

The capital of the Company shall be formed by the issue of shares and bonds.

Share Capital.—§ 10. The share capital of the Company shall be fixed at 5,000,000 nominal credit roubles, and divided into 1,000 shares at 5,000 nominal credit roubles.

The shares are to be issued at their nominal value.

The guarantee of the Russian Government does not extend to them.

Bond Capital; Guarantee of Russian Government on Bonds.—§ 11. The remaining portion of the capital of the Company will be formed by the issue of bonds. The bonds will be issued as required, and each time with the special sanction of the Minister of Finances. The nominal amount and value of each separate issue of bonds, the time and condition of the issue, as also the form of these bonds, shall be subject to the sanction of the Minister of Finances.

The Russian Government will guarantee the interest on and amortization of the bonds.

For the realization of these bonds the Company must have recourse to the Russo-Chinese Bank, but the Russian Government reserves to itself the right of appropriating the bond loan at a price which shall be determined between the Company and the Bank, and to pay the Company the agreed amount in ready money.

Guarantee of Realized Bond Capital.—§ 12. As payments are received for bonds guaranteed by the Russian Government, the Company shall be bound to keep such sums, or interest bearing securities purchased with the same by permission of the Russian Minister of Finances, under the special supervision of the Russian Ministry of Finances.

Out of the above receipts the Company shall have the right to make the following payments:—

(a) According to actual fulfilment of the work in progress, and execution of orders and at the time when various expenditures shall become necessary, such payments to be made on the scale and on the conditions specified in the working estimates;

(b) During the construction of the line, of interest, as it becomes due, on the bonds issued by the Company, subject to the conditions of their issue, and the Company shall pay the sums necessary for the above purpose within the limits of the amount realized by it in the issue of its bonds.

Shares.—§ 13. On the payment of the first allotment on the shares, the founders shall receive temporary certificates on which subsequently, when the Board of Management of the Company shall have been formed, the receipt of the further instalments on the shares will be inscribed.

When the shares shall be fully paid up the temporary certificates issued to the founders shall be replaced by shares.

The shares of the Company are issued to bearer, under the signature of not fewer than three members of the Board of Management. To the shares will be attached a coupon sheet for the receipt once yearly under them of any dividend that may be payable.

On the coupon sheets becoming exhausted new sheets will be issued.

A dividend on the shares out of the net profits of any year, supposing such accrue, shall be payable on the adoption by the general meeting of shareholders of the Annual Report for that year, and the dividend shall be payable at the offices of the Company, or at such places which it may indicate.

The Company shall notify for general information in the "Official Gazette" and in the "Finance Messenger," as also in one of the Chinese newspapers, the amount and place of payment of the dividend.

Reserve Capital.—§ 14. The reserve capital is destined:—

(a) For the capital repair of the railway, its buildings and appurtenances;

(b) For defraying extraordinary expenditure of the Company in repairing the railway and its appurtenances.

The reserve capital of the Company is formed out of annual sums put aside from the net profits of the working of the railway (§ 17).

The reserve capital must be kept in Russian State interest bearing securities, or in railway bonds guaranteed by the Russian Government.

At the expiration of the term of possession of the railway by the Company, the reserve capital shall be first of all employed in the payment of the Company, including among them sums due to the Russian Government, if such exist; after the debts of the Company shall have been paid, the remainder of the reserve capital shall be divided among the shareholders. In the event of the redemption of the railway by the Chinese Government this reserve capital becomes the property of the shareholders.

Net Revenue.—§ 15. The net revenue of the Company shall be the remainder of the gross receipts, after deduction of working expenses.

Under these expenses are classed:—

(a) General outlays, including assignments toward pension and relief funds, if such be established on the line;

(b) Maintenance of the Staff of the Board of Management, and of all the services; as also the maintenance of employes and labourers not on the permanent list;

(c) Outlays for materials and articles used for the railways as also expenditure in the shape of remuneration for the use of buildings, rolling-stock, and other various requisites, for the purposes of the railway;

(d) Outlays for the maintenance, repair and renewal of the permanent way, works of construction, buildings, rolling-stock, and other appurtenances of the railway;

(e) Expenditure connected with the adoption of the measures and instructions of the Board of Management for insuring the safety and regularity of the railway service;

(f) Expenditure for the improvement and development of the railway, as also for creating and developing its resources.

Additional Payments by the Russian Government Under the Guarantee, and the Order of Settlement of Accounts between the Company and the Russian Government in Respect of these Additional Payments.—§ 16. Should the gross receipts of the railway prove insufficient for defraying the working expenses and for meeting the yearly payments due on the bonds, the Company will receive the deficient sum from the Russian Government through the Russian Minister of Finances. The payments referred to will be made to the Company as advances, at a rate of interest of 6 per cent. per annum. Sums paid in excess to the Company in consequence of its demands and on account of the guarantee will be deducted from succeeding money payments.

On the presentation to the general meeting of shareholders of the annual report of the working of the railway for a given year the Company shall at the same time submit to the general meeting, for confirmation, a detailed statement of the sums owing by the Company to the Russian Government,

with the interest that has accrued thereon. On the confirmation of this statement by the general meeting, the Board of Management shall deliver to the Russian Government an acknowledgment of the Company's debt, to the full determined amount of the same, and this acknowledgment, until its substitution by another, shall bear annually interest at the rate of 6 per cent.

The acknowledgment above mentioned given by the Board of Management to the Russian Government shall not be subject to bill or deed stamp tax.

* * * * *

[Subjects of minor importance are dealt with in the following sections:—

§ 17. Distribution of net profits of the railway.

§ 18. Functions of Board of Management, the seals of which will be at Peking and St. Petersburg.

§ 19. Constitution of the Board, which is to consist of nine members elected by the shareholders. The Chairman is to be appointed by the Chinese Government; the Vice-Chairman is to be chosen by the members of the Board from among themselves.

§ 20. Order of transaction of the business of the Board.

§ 21. General meetings of shareholders and the subjects that shall come under their notice.

§ 22. Order of convening general meetings.

§ 23. Conditions under which general meetings shall be recognized as legally held.

§ 24. Participation of shareholders in proceedings of general meetings.

§ 25. Local management of works of construction.

§ 26. Local management of railway when in working order.

§ 27. Questions to be submitted for confirmation by Russian Minister of Finances.

§ 28. Committee of audit.]

Gratuitous Entrance into Possession of Railway by Chinese Government.—§ 29. In accordance with the Agreement concluded with the Chinese Government, the latter, after the expiration of eighty years of possession of the railway by the Company, enters into possession of it and its appurtenances.

The reserve and other funds belonging to the Company shall be employed in paying the money due to the Russian Government under the guarantee (§ 16) and in satisfaction of other debts of the Company, and the remainder shall be distributed among the shareholders.

Any money that may remain owing by the Company to the Russian Government at the expiration of eighty years in respect of the guarantee shall be written off.

The Russo-Chinese Bank will incur no responsibility in respect of the same.

Right of the Chinese Government to Acquire the Railway on the Expiration of Thirty-six years.—§ 30. In accordance with the agreement concluded with the Chinese Government, on the expiration of thirty-six years from the time of completion of the whole line and its opening for traffic, the Chinese Government has the right of acquiring the line, on refunding to the Company in full all the outlays made on it, and on payment for everything done for the requirements of the railway, such payments to be made with accrued interest.

It follows as a matter of course that the portion of the share capital which has been amortized by drawing and the part of the debt owing to the Russian Government under the guarantee and repaid out of the net profits (§ 17) will not constitute part of the purchase money.

In no case can the Chinese Government enter into possession of the railway before it has lodged in the Russian State Bank the necessary purchase money.

The purchase money lodged by the Chinese Government shall be employed in paying the debt of the Company under its bonds and all sums, with interest, owing to the Russian Government, the remainder of the money being then at the disposal of the shareholders.

No. 6

(CHINA AND RUSSIA)

Convention for the Lease of the Liaotung Peninsula — March 27, 1898

His Majesty the Emperor and Autocrat of all the Russias, and His Majesty the Emperor of China, being desirous of still further strengthening the friendly relations existing between the two Empires and mutually wishing to insure the means whereby to show reciprocal support, have appointed as their Plenipotentiaries, for the purpose of arriving at an agreement on this matter:

His Majesty the Emperor of Russia — M. Alexander Pavlow, Gentleman of the Court, and His Majesty's Charge d'Affaires accredited to the Government of H. M. the Emperor of China;

His Majesty the Emperor of China — Count Li, Chancellor, Member of the Ministry of Foreign Affairs, and Senior Preceptor of the Heir to the Throne, and Chang, Assistant Minister of Finance, and Member of the Ministry of Foreign Affairs, with Ministerial rank.

The above-named Plenipotentiaries, furnished with due powers, have decided upon the following stipulations:

ARTICLE I.—For the purpose of ensuring that the Russian naval forces shall possess an entirely secure base on the littoral of northern China, H. M. the Emperor of China agrees to place at the disposal of the Russian Government, on lease, Port Arthur (Liou-choun-kou) and Ta-lien-wan, together with the water areas contiguous to these ports. This act of lease, however, in no way violates the sovereign rights of H. M. the Emperor of China to the above-mentioned territory.

ARTICLE II.—The frontier of the territory leased on the above-specified basis, will extend northwards from the Bay of Ta-lien-wan for such distance as is necessary to secure the proper defence of this area on the land side. The precise line of demarcation and other details respecting the stipulations of the present Convention will be determined by a separate Protocol which shall be concluded at St. Petersburg with the dignitary Siou-tzin-ch'eng immediately after the signature of the present Convention. Upon the determination of this line of demarcation, the Russian Government will enter into complete and exclusive enjoyment of the whole area of the leased territory together with the water areas contiguous to it.

ARTICLE III.—The term of the lease shall be twenty-five years from the date of the signature of the present agreement and may be prolonged subsequently by mutual consent of both Governments.

ARTICLE IV.—During the above-specified period, on the territory leased by the Russian Government and its adjacent water area, the entire military command of the land and naval forces and equally the supreme civil administration will be entirely given over to the Russian authorities and will be concentrated in the hands of one person who, however, shall not have the title of Governor or Governor-General. No Chinese military land forces whatsoever will be allowed on the territory specified. Chinese inhabitants retain the right, as they may desire, either to remove beyond the limits of the territory leased by Russia or to remain within such limits without restriction on the part of the Russian authorities. In the event of a Chinese subject committing any crime within the limits of the leased territory, the offender will be handed over to the nearest Chinese authorities for trial and punishment in accordance with Chinese laws, as laid down in Article VIII of the Treaty of Peking of 1896.

ARTICLE V.—A neutral zone shall be established north of the above-specified frontier of the leased territory. The frontiers of this zone will be fixed by the dignitary Siou-tzin-ch'eng and the Ministry of Foreign Affairs in St. Petersburg. Within this specified neutral zone the civil administration will be entirely in the hands of the Chinese authorities; Chinese troops will be admitted within this zone only with the consent of the Russian authorities.

ARTICLE VI.—Both the Governments agree that Port Arthur, as an exclusively military (naval) port, shall be used solely by Russian and Chinese vessels and shall be considered as a closed port to war-ships and merchant vessels of other States. As regards Ta-lien-wan, this port, with the exception of one of the inner bays which, like Port Arthur, shall be set apart exclusively for the use of the Russian and Chinese fleets, shall be considered open to foreign commerce and free entry to it will be granted to the merchant vessels of all nations.

ARTICLE VII.—The Russian Government takes upon itself at its own expense and with its own resources to erect all buildings necessary for its fleet and land forces on the area leased to it and especially in Port Arthur and the port of Ta-lien-wan, to erect fortifications, maintain garrisons in them and generally to take all necessary steps for the proper defence of the specified locality from hostile attack. Similarly the Russian Government binds itself at its own expense to erect and maintain light-houses and other precautionary signs requisite for the security of navigation.

ARTICLE VIII.—The Chinese Government agrees that the concessions granted by it in 1896 to the Chinese Eastern Railway Company, from the date of the signature of the present agreement shall be extended to the connecting branch which is to be built from one of the stations of the main line to Ta-lien-wan, and also, if deemed necessary, from the same main line to another more convenient point on the littoral of the Liaotung Peninsula between the town of In-tzu and the estuary of the River Yalu. All the stipulations of the contract concluded by the Chinese Government with the Russo-Chinese Bank on August 27 (September 8), 1896, shall apply scrupu-

lously to these supplementary branches. The direction and points through which the above-mentioned lines shall pass will be determined upon by the dignitary Siou-tzin-ch'eng and the administration of the Chinese Eastern Railway. Consent to the construction of the railway on the basis indicated shall never under any form serve as a pretext for the seizure of Chinese territory or for an encroachment on the sovereign rights of China.

ARTICLE IX.—The present Convention shall come into force from the date of exchange of copies thereof by the Plenipotentiaries of the two States.

The exchange of ratifications will take place in St. Petersburg with the least possible delay.

In virtue of which the respective Plenipotentiaries of the two parties have signed and affixed their seals to two copies of the present Convention in the Russian and Chinese languages. Of the two texts which, upon comparison, have been found to be in agreement, the Russian text shall be that used for the interpretation of the Convention.

Done in duplicate at Peking, this 15th day of March (March 27), 1898, and by the Chinese calendar the 6th day of the 3rd moon of the 24th year of the reign of Kuang-Hsu. (Seal) (Signed) P. Pavlow.
(Seal) (Signed) Li-Chang.
(Seal of the Tsung-li-yamen)

No. 7

(JAPAN AND RUSSIA)

Treaty of Portsmouth — September 5, 1905

His Majesty the Emperor of Japan on the one part, and His Majesty the Emperor of all the Russias on the other part, animated by the desire to restore the blessings of peace to Their countries and peoples, have resolved to conclude a Treaty of Peace, and have, for this purpose, named Their Plenipotentiaries, that is to say:

His Majesty the Emperor of Japan:

His Excellency Baron Komura Jutaro, Jusammi, Grand Cordon of the Imperial Order of the Rising Sun, His Minister for Foreign Affairs, and

His Excellency M. Takahira Kogoro, Jusammi, Grand Cordon of the Imperial Order of the Sacred Treasure, His Envoy Extraordinary and Minister Plenipotentiary to the United States of America; and

His Majesty the Emperor of all the Russias:

His Excellency M. Serge Witte, His Secretary of State and President of the Committee of Ministers of the Empire of Russia, and

His Excellency Baron Roman Rosen, Master of the Imperial Court of Russia and His Ambassador Extraordinary and Plenipotentiary to the United States of America;

Who, after having exchanged their full powers which were found to be in good and due form, have concluded the following Articles:

ARTICLE I.—There shall henceforth be peace and amity between Their Majesties the Emperor of Japan and the Emperor of all the Russias and between Their respective States and subjects.

ARTICLE II.—The Imperial Russian Government, acknowledging that

Japan possesses in Korea paramount political, military and economical interests, engage neither to obstruct nor interfere with the measures of guidance, protection and control which the Imperial Government of Japan may find it necessary to take in Korea.

It is understood that Russian subjects in Korea shall be treated exactly in the same manner as the subjects or citizens of other foreign Powers, that is to say, they shall be placed on the same footing as the subjects or citizens of the most favoured nation.

It is also agreed that, in order to avoid all cause of misunderstanding, the two High Contracting Parties will abstain, on the Russo-Korean frontier, from taking any military measure which may menace the security of Russian or Korean territory.

ARTICLE III.—Japan and Russia mutually engage:

1. To evacuate completely and simultaneously Manchuria except the territory affected by the lease of the Liaotung Peninsula, in conformity with the provisions of additional Article I. annexed to Treaty; and

2. To restore entirely and completely to the exclusive administration of China all portions of Manchuria now in the occupation or under the control of the Japanese or Russian troops, with the exception of the territory above mentioned.

The Imperial Government of Russia declare that they have not in Manchuria any territorial advantages or preferential or exclusive concessions in impairment of Chinese sovereignty or inconsistent with the principle of equal opportunity.

ARTICLE IV.—Japan and Russia reciprocally engage not to obstruct any general measures common to all countries, which China may take for the development of the commerce and industry of Manchuria.

ARTICLE V.—The Imperial Russian Government transfer and assign to the Imperial Government of Japan, with the consent of the Government of China, the lease of Port Arthur, Talien and adjacent territory and territorial waters and all rights, privileges and concessions connected with or forming part of such lease and they also transfer and assign to the Imperial Government of Japan all public works and properties in the territory affected by the above mentioned lease.

The two High Contracting Parties mutually engage to obtain the consent of the Chinese Government mentioned in the foregoing stipulation.

The Imperial Government of Japan on their part undertake that the proprietary rights of Russia subjects in the territory above referred to shall be perfectly respected.

ARTICLE VI.—The Imperial Russian Government engage to transfer and assign to the Imperial Government of Japan, without compensation and with the consent of the Chinese Government, the railway between Changchun (Kuan-cheng-tzu) and Port Arthur and all its branches, together with all rights, privileges and properties appertaining thereto in that region, as well as all coal mines in the said region belonging to or worked for the benefit of the railway.

The two High Contracting Parties mutually engage to obtain the consent of the Government of China mentioned in the foregoing stipulation.

ARTICLE VII.—Japan and Russia engage to exploit their respective

railways in Manchuria exclusively for commercial and industrial purposes and in no wise for strategic purposes.

It is understood that that restriction does not apply to the railway in the territory affected by the lease of the Liaotung Peninsula.

ARTICLE VIII.—The Imperial Governments of Japan and Russia, with a view to promote and facilitate intercourse and traffic, will, as soon as possible, conclude a separate convention for the regulation of their connecting railway services in Manchuria.

ARTICLE IX.—The Imperial Russian Government cede to the Imperial Government of Japan in perpetuity and full sovereignty, the southern portion of the Island of Saghalien and all islands adjacent thereto, and all public works and properties thereon. The fiftieth degree of north latitude is adopted as the northern boundary of the ceded territory. The exact alignment of such territory shall be determined in accordance with the provisions of additional Article II. annexed to this Treaty.

Japan and Russia mutually agree not to construct in their respective possessions on the Island of Saghalien or the adjacent islands, any fortifications or other similar military works. They also respectively engage not to take any military measures which may impede the free navigation of the Straits of La Perouse and Tartary.

ARTICLE X.—It is reserved to the Russian subjects, inhabitants of the territory ceded to Japan, to sell their real property and retire to the country; but, if they prefer to remain in the ceded territory, they will be maintained and protected in the full exercise of their industries and rights of property, on condition of submitting to Japanese laws and jurisdiction. Japan shall have full liberty to withdraw the right of residence in, or to deport from, such territory, any inhabitants who labour under political or administrative disability. She engages, however, that the proprietary rights of such inhabitants shall be fully respected.

ARTICLE XI.—Russian engages to arrange with Japan for granting to Japanese subjects rights of fishery along the coasts of the Russian possessions in the Japan, Okhotsk and Behring Seas.

It is agreed that the foregping engagement shall not affect rights already belonging to Russian or foreign subjects in those regions.

ARTICLE XII.—The Treaty of Commerce and Navigation between Japan and Russia having been annulled by the war, the Imperial Governments of Japan and Russia engage to adopt as the basis of their commercial relations, pending the conclusion of a new treaty of commerce and navigation on the basis of the Treaty which was in force previous to the present war, the system of reciprocal treatment on the footing of the most favoured nation, in which are included import and export duties, customs formalities, transit and tonnage dues, and the admission and treatment of the agents, subjects and vessels of one country in the territories of the other.

ARTICLE XIII.—As soon as possible after the present Treaty comes into force, all prisoners of war shall be reciprocally restored. The Imperial Governments of Japan and Russia shall each appoint a special Commissioner to take charge of prisoners. All prisoners in the hands of one Government shall be delivered to and received by the Commissioner of the other Govern-

ment or by his duly authorized representative, in such convenient numbers and at such convenient ports of the delivering State as such delivering State shall notify in advance to the Commissioner of the receiving State.

The Government of Japan and Russia shall present to each other, as soon as possible after the delivery of prisoners has been completed, a statement of the direct expenditures respectively incurred by them for the care and maintenance of prisoners from the date of capture or surrender up to the time of death or delivery. Russia engages to repay to Japan, as soon as possible after the exchange of the statements as above provided, the difference between the actual amount so expended by Japan and the actual amount similarly disbursed by Russia.

ARTICLE XIV.—The present Treaty shall be ratified by Their Majesties the Emperor of Japan and the Emperor of all the Russias. Such ratification shall, with as little delay as possible and in any case not later than fifty days from the date of the signature of the Treaty, be announced to the Imperial Governments of Japan and Russia respectively through the French Minister in Tokio and the Ambassador of the United States in Saint Petersburg and from the date of the later of such announcements this Treaty shall in all its parts come into full force.

The formal exchange of the ratifications shall take place at Washington as soon as possible.

ARTICLE XV.—The present treaty shall be signed in duplicate in both the English and French languages. The texts are in absolute conformity, but in case of discrepancy in interpretation, the French text shall prevail.

In witness whereof, the respective Plenipotentiaries have signed and affixed their seals to the present Treaty of Peace.

Done at Portsmouth (New Hampshire) this fifth day of the ninth month of the thirty-eighth year of Meiji, corresponding to the twenty-third day of August (fifth September) one thousand nine hundred and five.

(Signed) Serge Witte. (L. S.) Jutaro Komura. (L. S.)
(Signed) Rosen. (L. S.) K. Takahira. (L. S.)

No. 8

(JAPAN AND CHINA)

Treaty of Peking relating to Manchuria — December 22, 1905

ARTICLE I.—The Imperial Chinese Government consent to all the transfers and assignments made by Russia to Japan by Articles V. and VI. of the Treaty of Peace above mentioned.

ARTICLE II.—The Imperial Japanese Government engage that in regard to the leased territory as well as in the matter of railway construction and exploitation, they will, so far as circumstances permit, conform to the original agreements concluded between China and Russia. In case any question arises in the future on these subjects, the Japanese Government will decide it in consultation with the Chinese Government.

ARTICLE III.—The present Treaty shall come into full force from the date of signature. It shall be ratified by Their Majesties the Emperor of Japan and the Emperor of China and the ratifications shall be exchanged

at Peking as soon as possible, and not later than two months from the present date.

In witness whereof, the respective Plenipotentiaries have signed this Treaty in duplicate in the Japanese and Chinese languages and have thereto affixed their seals.

Done at Peking, this twenty-second day of the twelfth month of the thirty-eighth year of Meiji, corresponding to the twenty-sixth day of the eleventh moon of the thirty-first year of Kuang Hsü.

(Signed)

No. 9

(JAPAN AND CHINA)

Additional Agreement to Treaty of Peking

The Governments of Japan and China, with a view to regulate, for their guidance, certain questions in which they are both interested in Manchuria, in addition to those provided for in the Treaty signed this day, have agreed as follows:

ARTICLE I.—The Imperial Chinese Government agree that as soon as possible after the evacuation of Manchuria by the Japanese and Russian forces, the following cities and towns in Manchuria will be opened by China herself as places of international residence and trade:

In the Province of Shengking:

Fenghwangcheng; Liaoyang; Hsinmintun; Tiehling; Tangkangtzu and Fakumen.

In the Province of Kirin:

Changchun (Kuanchengtzu); Kirin; Harbin; Ninguta; Hunchun and Sanhsing.

In the Province of Heilungkiang:

Tsitsihar; Hailar; Aigun and Manchouli.

ARTICLE II.—In view of the earnest desire expressed by the Imperial Chinese Government to have the Japanese and Russian troops and railway guards in Manchuria withdrawn as soon as possible, and in order to meet this desire, the Imperial Japanese Government, in the event of Russia agreeing to the withdrawal of her railway guards, or in case other proper measures are agreed to between China and Russia, consent to take similar steps accordingly. When tranquillity shall have been reestablished in Manchuria and China shall have become herself capable of affording full protection to the lives and property of foreigners, Japan will withdraw her railway guards simultaneously with Russia.

ARTICLE III.—The Imperial Japanese Government, immediately upon the withdrawal of their troops from any regions in Manchuria, shall notify the Imperial Chinese Government of the regions thus evacuated, and even within the period stipulated for the withdrawal of troops in the Additional Articles of the Treaty of Peace between Japan and Russia, the Chinese Government may send necessary troops to the evacuated regions of which they have been already notified as above mentioned, for the purpose of maintaining order and tranquillity in those regions. If, in the regions from

which Japanese troops have not yet been withdrawn, and villages are disturbed or damaged by native bandits, the Chinese local authorities may also dispatch a suitable military force for the purpose of capturing or dispersing those bandits. Such troops, however, shall not proceed within twenty Chinese *li* from the boundary of the territory where Japanese troops are stationed.

ARTICLE IV.—The Imperial Government of Japan engage that Chinese public and private property in Manchuria, which they have occupied or expropriated on account of military necessity, shall be restored at the time the Japanese troops are withdrawn from Manchuria and that such property as is no longer required for military purposes shall be restored even before such withdrawal.

ARTICLE V.—The Imperial Chinese Government engage to take all necessary measures to protect fully and completely the grounds in Manchuria in which the tombs and monuments of the Japanese officers and soldiers who were killed in war are located.

ARTICLE VI.—The Imperial Chinese Government agree that Japan has the right to maintain and work the military railway line constructed between Antung and Mukden and to improve the said line so as to make it fit for the conveyance of commercial and industrial goods of all nations. The term for which such right is conceded is fifteen years from the date of the completion of the improvements above provided for. The work of such improvements is to be completed within two years, exclusive of a period of twelve months during which it will have to be delayed owing to the necessity of using the existing line for the withdrawal of troops. The term of the concession above mentioned is therefore to expire in the 49th year of Kuang Hsü. At the expiration of that term, the said railway shall be sold to China at a price to be determined by appraisement of all its properties by a foreign expert who will be selected by both parties. The conveyance by the railway of the troops and munitions of war of the Chinese Government prior to such sale shall be dealt with in accordance with the regulations of the Eastern Chinese Railway. Regarding the manner in which the improvements of the railway are to be effected, it is agreed that the person undertaking the work on behalf of Japan shall consult with the Commissioner dispatched for the purpose by China. The Chinese Government will also appoint a Commissioner to look after the business relating to the railway as is provided in the Agreement relating to the Chinese Eastern Railway. It is further agreed that detailed regulations shall be concluded regarding the tariffs for the carriage by the railway of the public and private goods of China.

ARTICLE VII.—The Governments of Japan and China, with a view to promote and facilitate intercourse and traffic, will conclude, as soon as possible, a separate convention for the regulation of connecting services between the railway lines in South Manchuria and all the other railway lines in China.

ARTICLE VIII.—The Imperial Chinese Government engage that all materials required for the railways in South Manchuria shall be exempt from all duties, taxes and *likin*.

ARTICLE IX.—The methods of laying out the Japanese Settlement at

Yingkou in the Province of Shengking, which has already been opened to trade, and at Antung and Mukden in the same Province, which are still unopen although stipulated to be opened, shall be separately arranged and determined by officials of Japan and China.

ARTICLE X.—The Imperial Chinese Government agree that a joint-stock company of forestry composed of Japanese and Chinese capitalists shall be organized for the exploitation of the forests in the regions on the right bank of the River Yalu and that a detailed agreement shall be concluded in which the area and term of the concession as well as organization of the company and all regulations concerning the joint work of exploitation shall be provided for. The Japanese and Chinese shareholders shall share equally in the profits of the undertaking.

ARTICLE XI.—The Governments of Japan and China engage that in all that relates to frontier trade between Manchuria and Korea most favoured nation treatment shall be reciprocally extended.

ARTICLE XII.—The Governments of Japan and China engage that in all matters dealt with in the Treaty signed this day or in the present Agreement the most favourable treatment shall be reciprocally extended.

The present Agreement shall take effect from the date of signature. When the Treaty signed this day is ratified, this Agreement shall also be considered as approved.

In witness whereof, the Undersigned, duly authorized by their respective Governments, have signed the present Agreement in duplicate in the Japanese and Chinese languages and have thereto affixed their seals.

Done at Peking, this 22nd day of the 12th month of the 38th year of Meiji, corresponding to the 26th day of the 11th moon of the 31st year of Kuang Hsü. (Signed)

No. 10

(JAPAN AND CHINA)

Protocols attached to the Treaty of Peking — December 22, 1905

1.—The railway between Changchun and Kirin will be constructed by China with capital to be raised by herself. She, however, agrees to borrow from Japan the insufficient amount of capital, which amount being about one-half of the total sum required. The contract concerning the loan shall, in due time, be concluded, following, *mutatis mutandis*, the loan contract entered into between the board of the Imperial Railways of North China and the Anglo-Chinese Syndicate. The term of the loan shall be twenty-five years, redeemable in yearly instalments.

2.—The military railway constructed by Japan between Mukden and Hsinmintun shall be sold to China at a price to be fairly determined in consultation by Commissioners appointed for the purpose by the two Governments. China engages to reconstruct the line, making it her own railway, and to borrow from a Japanese corporation or corporations one half of the capital required for the portion of the line east of Liao-ho for a term of eighteen years repayable in yearly instalments, and a contract shall be concluded, for the purpose following, *mutatis mutandis*, the loan contract entered

into between the Board of the Imperial Railways of North China and the Anglo-Chinese Syndicate.

All the other military railways in different localities shall be removed with the evacuation of the regions.

3.—The Chinese Government engage, for the purpose of protecting the interest of the South Manchuria Railway, not to construct, prior to the recovery by them of the said railway, any main line in the neighborhood of and parallel to that railway, or any branch line which might be prejudicial to the interest of the above-mentioned railway.

4.—China declares that she will adopt sufficient measures for securing Russia's faithful observance of the Russo-Chinese treaties with regard to the railways which Russia continues to possess in the northern part of Manchuria, and that it is her intention, in case Russia acts in contravention of such treaty stipulations, to approach her strongly with a view to have such action fully rectified.

5.—When in the future, negotiations are to be opened between Japan and Russia for regulation of the connecting railway services (Article VIII. of the Treaty of Peace between Japan and Russia), Japan shall give China previous notice. China shall communicate to Russia her desire to take part in the negotiations through commissioners to be despatched by her on the occasion, and Russia consenting shall participate in such negotiations.

6.—With regard to the mines in the Province of Fengtien, appertaining to the railway, whether already worked or not, fair and detailed arrangements shall be agreed upon for mutual observance.

7.—The affairs relating to the connecting services as well as those of common concern in respect of the telegraph lines in the Province of Fengtien and the cables between Port Arthur and Yentai shall be arranged from time to time as necessity may arise in consultation between the two countries.

8.—The regulations respecting the places to be opened in Manchuria, shall be made by China herself, but the Japanese Minister at Peking must be previously consulted regarding the matter.

9.—If no objection be offered on the part of Russia respecting the navigation of the Sungari (by Japanese vessels), China shall consent to such navigation after negotiations.

10.—The Chinese Plenipotentiaries declare that immediately after the withdrawal of the Japanese and Russian troops from Manchuria, China will proceed to take, in virtue of her sovereign right, full administrative measures to guarantee peace in that region and endeavor, by the same right, to promote good and remove evil as well as steadily to restore order, so that the residents of that region, natives and foreigners, may equally enjoy the security of life and occupation under the perfect protection of the Chinese Government. As to the means of restoring order, the Chinese Government are to take by themselves all adequate measures.

11.—While relations of intimate friendship subsisted as at the present time between China and Japan, Japan and Russia had unfortunately engaged in war and fought in the territory of China. But peace has now been re-established and hostilities in Manchuria have ceased. And while it is undeniable that Japanese troops, before their withdrawal, have the power of exercising the rights accruing from military occupation, the Chinese Govern-

ment declare that certain Japanese subjects in Manchuria have recently been observed to sometimes interfere with the local Chinese administration and to inflict damage to public and property of China.

The Japanese Plenipotentiaries, considering that, should such interference and infliction of damage have been carried beyond military necessity, they are not proper acts, declare that they will communicate the purport of the above declaration of the Chinese Government to the Government of Japan, so that proper steps may be taken for controlling Japanese subjects in the Province of Fengtien and promote the friendly relations between the two nations, and also for preventing them in future, from interfering with the Chinese administration or inflicting damage to public or private property without military necessity.

12.—In regard to any public or private property of China which may have been purposely destroyed or used by Japanese subjects without any military necessity, the Governments of the two countries shall respectively make investigations and cause fair reparation to be made.

13.—When the Chinese local authorities intend to despatch troops for the purpose of subduing native bandits in the regions not yet completely evacuated by Japanese troops, they shall not fail to previously consult with the Commander of the Japanese troops stationed in those regions so that all misunderstandings may be avoided.

14.—The Japanese Plenipotentiaries declare that the Railway Guards stationed between Changchun and the boundary line of the leased territory of Port Arthur and Talien, shall not be allowed, before their withdrawal, to unreasonably interfere with the local administration of China or to proceed without permission beyond the limits of the railway.

15.—Chinese local authorities, who are to reside at Yingkou, shall be allowed, even before the withdrawal of the Japanese troops, to proceed to that place and transact their official business. The date of their departure is to be determined, as soon as possible after the definite conclusion of this Treaty, by the Japanese Minister to China in consultation with the Waiwupu. As there is still in that place a considerable number of Japanese troops, quarantine regulations as well as regulations for the prevention of contagious diseases, shall be established by the authorities of the two countries in consultation with each other so that epidemics may be avoided.

16.—The revenue of the Maritime Customs at Yingkou shall be deposited with the Yokohama Specie Bank and delivered to the Chinese local authorities at the time of evacuation. As to the revenue of the native Customs at that place and the taxes and imposts at all other places, which are to be appropriated for local expenditures, a statement of receipts and expenditures shall be delivered to the Chinese local authorities at the time of evacuation.

No. 11

Japanese Imperial Ordinance sanctioning Organization of South Manchuria Railway Company — June 7, 1906

ARTICLE I.—The Government shall cause the organization of the South Manchuria Railway Joint Stock Company for the purpose of engaging in railway traffic in Manchuria.

ARTICLE II.—The shares of the Company shall all be registered (signed) and may be owned only by the Japanese and Chinese Governments or by subjects of Japan and China.

ARTICLE III.—The Japanese Government may offer its Manchurian railways, and their appurtenances, and its coal-mines in Manchuria, as the capital to be furnished by the Government.

ARTICLE IV.—The company may divide the new shares to be raised into several issues to be floated at different times, but the amount of the first issue shall not be less than one-fifth of the whole amount.

ARTICLE V.—The first payment upon the shares need not exceed one-tenth of the value of the shares.

ARTICLE VI.—The company shall establish its head office at Tokio and a branch office at Dalny.

ARTICLE VII.—The company shall have a president, a vice-president, four or more directors and from three to five inspectors.

ARTICLE VIII.—The president shall represent the company and manage its affairs.

The vice-president shall perform the president's duties when the latter is prevented from discharging them, and shall act as president when the latter post is vacant.

The vice-president and directors shall assist the president in his duties and shall take charge of various departments of the company's business.

The inspectors shall examine the business of the company.

ARTICLE IX.—The Government, subject to the Imperial sanction, shall appoint the president and vice-president, whose terms of office shall be five years.

The Government shall appoint the directors from among those shareholders who own fifty or more shares. The term of office shall be four years.

The inspectors shall be elected from among the shareholders at a general meeting of the latter. The term of office shall be three years.

ARTICLE X.—The amount of compensation and allowances of the president, vice-president and directors shall be fixed by the Government.

ARTICLE XI.—The president, vice-president and directors of the company shall not engage in any other business or trade, under any name whatsoever, during their terms of office, except by special permission of the Government.

ARTICLE XII.—The Government shall appoint supervisors for the South Manchuria Railway Joint Stock Company to supervise the business of the company.

The supervisors may at any time examine the company's business and inspect their safes, books, documents and any other articles belonging to the company.

The supervisors, whenever they may deem it necessary, may order the company to report on the various accounts and the condition of the company's business.

The supervisors may attend the general meetings of the shareholders of the company, or any other meetings, and express their opinions, but shall not be entitled to vote.

ARTICLE XIII.—The Government may issue such orders as may be necessary to superintend the business of the company.

ARTICLE XIV.—In case the decisions of the company or the conduct of its officers are in violation of laws and regulations or of the object of the company, or are detrimental to the public welfare, or fail to carry out the orders of the Government office under whose jurisdiction the company is, the Government may cancel the said decisions or dismiss the officers concerned.

ARTICLE XV.—When the Government deems it necessary, it may apply to the company the provisions of the laws and regulations relating to railways in Japan.

In the case referred to in the preceding paragraph the Government shall inform the company in advance as to the laws and regulations to be so applied.

ARTICLE XVI.—When not otherwise provided for in this ordinance, the provisions of the Commercial Code and its Supplementary Laws and Regulations shall be applied.

ARTICLE XVII.—The provisions of Imperial Ordinance No. 366 (relating to the construction of railways in foreign countries by Japanese companies) of 1900, shall not be applied to the company that is to be organized in accordance with this Ordinance.

Supplementary Rules

ARTICLE XVIII.—The Government shall appoint a commission to transact all business relating to the organization of the South Manchuria Railway Joint Stock Company.

ARTICLE XIX.—The organizing commission shall draw up the company's articles of association, and after the said articles have been approved by the Government, shall open the subscription for the first issue of shares.

ARTICLE XX.—When the first issue of the company's shares has been subscribed, the commission shall present to the Government the subscription list and apply for permission to organize the company.

ARTICLE XXI.—When the permission referred to in the preceding Article has been given, the organizing commission shall, without delay, call for the first instalment upon each share.

When the first instalment referred to in the preceding Article has been paid in, the commission shall, without delay, call a general meeting for organization.

ARTICLE XXII.—At the close of the first general meeting the organizing commission shall turn over its business to the President of the South Manchuria Railway Joint Stock Company.

No. 12

Japanese Government Order regarding South Manchuria Railway Company — August 1, 1906.

To Masatake Terauchi, Chairman of the Organizing Commission of the South Manchuria Railway Joint Stock Company, And eighty other members of the Commission:

The following orders are hereby given respecting the several matters relating to the organization of the South Manchuria Railway Joint Stock Company, all matters pertaining to the management of which have been entrusted to the Commission.

August 1, 1906.

Isaburo Yamagata,
Minister of Communications.
Yoshiro Sakatani, LL. D.,
Minister of Finance.
Viscount Tadasu Hayashi,
Minister for Foreign Affairs.

ARTICLE I.—In accordance with the Additional Agreement of the Japan-China Treaty relating to Manchuria, signed on December 22nd, 1905, the Company shall engage in the traffic of the following railways:

Dairen-Changchun.
Nankuanling-Port Arthur.
Tafangshen-Liushutun.
Tashihchiao-Yingkou.
Yentai-Yentai Coal Mine.
Suchiatun-Fushun.
Mukden-Antunghsien.

ARTICLE II.—The railways mentioned in the preceding Article shall be changed to the 4 feet 8.5 inch gauge within three (3) years counting from the day on which the company commences its operations.

On the Dairen-Changchun Railway the tracks between Dairen and Suchiatun (near Mukden) shall be doubled.

ARTICLE III.—The company shall make the various arrangements necessary for the lodging and meals of the passengers, as well as for the storage of goods at the principal stations on the line.

At the points on the harbors and bays touched by the railways the necessary arrangements shall be made for connecting water and land transportation.

ARTICLE IV.—For the convenience and the profit of the railway, the company may engage in the following accessory lines of business:

Mining, especially the operation of the coal-mines at Fushun and Yentai.
Water transportation.
Electrical enterprises.
Sale on commission of the principal goods carried by the railways.
Warehousing.
Business relating to the land and buildings on the land attached to the railways.
In addition, any business for which Government permission has been given.

ARTICLE V.—The company shall, subject to the permission of the Government, make the necessary arrangements for engineering works, education, sanitation, etc. within the area of lands used for the railways and the accessory lines of business.

ARTICLE VI.—To defray the expenses necessary for the arrangements mentioned in the preceding Article, the company may, subject to the per-

mission of the Government, collect fees of those who live within the area of lands used for the railways and the accessory lines of business, or make any other assessments for necessary expenses.

ARTICLE VII.—The total amount of the company's capital stock shall be 200 million Yen, of which 100 million Yen shall be furnished by the Imperial (Japanese) Government.

ARTICLE VIII.—The capital to be furnished by the Government mentioned in the preceding Article shall consist of the following properties:

The existing railways.

All properties belonging to the railways, except those in the leased territory specially designated by the Government.

The coal mines at Fushun and Yentai.

ARTICLE IX.—The rolling stock now being used by the Government, and the rails as well as the accessories of the Mukden-Antunghsien temporary railway, shall be sold to the company at a reasonable price.

ARTICLE X.—The shares not owned by the Government shall be open to subscription by Japanese and Chinese subjects.

ARTICLE XI.—When the dividend of the company for any business year is less than six (6) per cent per annum on the paid amount for the shareholders other than the Governments of Japan and China (hereafter to be styled merely "the shareholders"), the Government shall supply the deficiency for a period of fifteen (15) years only (or for thirty (30) business years if the calendar year be divided into two business years), commencing from the day of the registration of the company's establishment. However, the amount of money to be furnished by the Government to supply the deficiency referred to shall, under no circumstances, exceed six (6) per cent per annum on the capital paid in by the shareholders.

ARTICLE XII.—When the dividend of the company for any business year does not exceed six (6) per cent per annum on the capital paid in by the shareholders, the dividend on the shares owned by the Government need not be paid.

The shares owned by the Chinese Government shall be dealt with in a similar way to those owned by the Imperial Government.

ARTICLE XIII.—The Government shall guarantee the payment of interest on the debentures which the company may issue for the reconstruction of the railways, or for the operation of the accessory business, and on those which the company may issue for consolidating or redeeming these debentures. The Government shall, if necessary, guarantee the repayment of the principal.

The amount of the face value of the debentures to be guaranteed by the Government shall not exceed the amount remaining when the capital paid in by the shareholders other than the Government is subtracted from the total of the capital subscribed by them (shall not exceed the difference between the capital subscribed and the amount paid in).

The debentures mentioned in the first paragraph shall be redeemed within twenty-five (25) years counting from the year of their issuance.

ARTICLE XIV.—For the debentures issued in accordance with the provisions in the first paragraph of the preceding Article, the Government

shall supply the amount corresponding to the interest on the debentures.

When the dividend on the capital paid up by the shareholders exceeds six (6) per cent per annum, the surplus shall first be applied to the payment of the interest on the debentures. However, in this case the amount of surplus shall be deducted.

ARTICLE XV.—When there is any surplus after paying the interest on the debentures, as mentioned in the preceding Article, out of the profits of the company's business, the said surplus shall be apportioned to the shares owned by the Governments of Japan and China until the rate is equal on the respective amounts paid up by all shareholders.

ARTICLE XVI.—The money to be supplied by the Government, as provided for in Articles 11 and 14, shall bear interest at six (6) per cent per annum. The interest shall be added annually to the principal, and the total shall be the company's indebtedness to the Government.

When the dividend for all the shares exceeds ten (10) per cent per annum, the surplus shall be devoted to the redemption of the company's debt mentioned in the preceding paragraph.

ARTICLE XVII.—Any surplus of funds raised by means of the debentures mentioned in Article 13 shall be deposited with the Division of Deposits in the Department of Finance.

ARTICLE XVIII.—The company shall determine estimates of the capital to be paid up and the debentures to be floated during each business year, their face value, issuing price, rate of interest, date of issuance et cetera, and shall receive the Government's approval.

ARTICLE XIX.—The company shall determine the regulations relating to its finances and business, and shall secure the Government's approval.

When the company desires to alter the regulations mentioned in the preceding paragraph and the articles of incorporation, similar steps shall be taken.

ARTICLE XX.—The plans of the company's business, the estimate of the cost of operation, the budget of income and expenditures connected with the company's business, the settlement of the same and the rate of the dividend for each business year shall be submitted to the Government for approval. When the company desires to alter the foregoing items, similar steps shall be taken.

ARTICLE XXI.—At the designation of the Government this company shall report on the following matters:

The present condition of the cost of operation as well as the income and expenditures connected with the company's business.

The actual condition of the company's work in general.

ARTICLE XXII.—Without the permission of the Government the company shall not dispose of its principal rights and properties; nor give the same for security.

ARTICLE XXIII.—When the Government deems it necessary, it may order the freight charges to be reduced, but only under special conditions.

ARTICLE XXIV.—The Government may, when it deems necessary, order the company to make new works arrangements or modify the existing ones.

ARTICLE XXV.—At the designation of the Government the company shall be under obligation at any time to place the railways, land and any other articles at the service of the Government.

ARTICLE XXVI.—The Articles and paragraphs relating to the funds to be supplied by the Government guarantees mentioned in the present order shall be confirmed upon the approval of the Imperial Diet.

No. 13

Articles of Incorporation of the South Manchuria Railway Company — November 26, 1896

Chapter I.—General Provisions

ARTICLE I.—This company shall be called the South Manchuria Railway Joint Stock Company and is established in accordance with Imperial Ordinance No. 142 of 1906 and in obedience to the Order of the Imperial Japanese Government.

ARTICLE II.—The liability of the shareholders of this company is limited to the value of the shares owned by them.

ARTICLE III.—This company shall establish its head office at Tokyo and a branch office at Dairen (Dalny).

ARTICLE IV.—The objects of the company are as follows:

I. To engage in the transportation business of the following railways in Manchuria:

Dairen-Changchun Railway.
Nankuanling-Port Arthur Railway.
Tafangshen-Liushutun Railway.
Tashihchiao-Yingkou Railway.
Yentai-Yentai Coal-Mine Railway.
Suchiatun-Fushun Railway.
Mukden-Antunghsien Railway.

II. To engage in the following lines of accessory business for the benefit of the railways:

Mining, especially the operation of the coal mines at Fushun and Yentai.
Water transportation.
Electrical enterprises.
Warehousing.
Business relating to the land and buildings on the land attached to the railways.
Any other business for which the permission of the Government may be given.

ARTICLE V.—The capital of this company shall be 200,000,000 Yen. However, the amount of the first subscription of shares shall be Yen 20,000,000, not including the shares to be owned by the Imperial Japanese Government. The second and subsequent subscriptions shall be opened from time to time, as necessity may require, upon the resolution of a general meeting of the shareholders.

ARTICLE VI.—The public notices of this company shall be published

in the newspapers in which the public notices of the courts of law are published to whose jurisdiction the company is subject in Tokyo (the location of the head office), and in the newspapers in which the public notices of the Government General of Kwantung are published at Dairen.

Chapter II.—Shares

ARTICLE VII.—The share certificates of this company shall all be registered, and each share shall be of the face value of two hundred (200) Yen.

ARTICLE VIII.—The certificates of shares of this company shall be of the following seven denominations:

One-share certificates.
Five-share certificates.
Ten-share certificates.
Fifty-share certificates.
One hundred-share certificates.
One thousand-share certificates.
Ten thousand-share certificates.

ARTICLE IX.—The certificates of shares of this company shall bear the name of the company, the date of registration, the total amount of capital, the amount of each share, the amount paid up, and the number of the certificate. They shall bear the signature and seal of the President.

ARTICLE X.—As to the payments upon the shares twenty (20) Yen per share shall be paid in at the first call. For the second and subsequent calls on the shares, the President shall determine the amount to be paid in as well as the time of payment, and notice of the same shall be sent to each shareholder at least sixty (60) days in advance. However, each call on the shares shall not exceed twenty (20) Yen per share.

ARTICLE XI.—If a shareholder fails to make payment by the date fixed for payment on the shares, delay interest shall be charged him at the rate of four (4) sen per day per one hundred (100) Yen on the amount due.

ARTICLE XII.—If a shareholder fails to make payment within fifteen (15) days from the date fixed for the first payment on the shares, the company may demand that payment be made within thirty days; and if the money is not paid in by that time the company may notify him that his rights as a shareholder of this company shall be forfeited.

In the case mentioned in the previous paragraph, where rights are lost, the application money previously paid shall not be refunded.

ARTICLE XIII.—If at the second and subsequent calls on the shares a shareholder fails to make payment within fifteen (15) days after the date fixed for payment, the company may notify such shareholder that payment must be made within thirty (30) days, and that, in the case of failure to comply, his rights as a shareholder of this company shall be forfeited.

When, in the case mentioned in the previous paragraph, a shareholder has forfeited his rights as such, the company shall notify each assignor (i. e., one who has previously held the shares) of shares that payment must be made within fifteen (15) days, and the assignor who first pays the amount in arrears shall acquire the shares. If no assignor pays, the company shall sell the shares at auction. If the amount realized by the auction is not

sufficient to cover the amount in arrear, the previous shareholder shall be required to make good the deficit. If the previous shareholder does not make good within fourteen (14) days, the company shall demand performance of the assignors.

ARTICLE XIV.—The liability of the assignors mentioned in the preceding Article is extinguished after two years from the time when the assignment was entered in the Register of Shareholders.

ARTICLE XV.—If a company or any other legal person, public or private, owns the shares of this company, it shall appoint its representative and have his name entered in the Register of Shareholders of this company. If shares are held by two or more persons in common, they are required to appoint one person to exercise their rights as shareholders. Persons holding shares in common are jointly and severally liable to the company for the payment upon the shares.

ARTICLE XVI.—When shares are to be assigned, the parties concerned shall make a written statement in accordance with the form prescribed by this company and apply for the alteration of the certificates of shares. However, when a person inherits shares by virtue of succession, bequest or any decision rendered by a court of law, such person is required to attach to the statement referred to a certificate of the census official or other documents as evidence that the company may deem necessary.

The assignment of any share shall not be valid unless the name and domicile of the assignee are entered in the Register of Shareholders and the name of the said assignee is entered on the share certificate in question.

ARTICLE XVII.—Should any certificate of shares be destroyed, mutilated or lost, the shareholder may apply for a new certificate of shares by presenting to the company a statement giving the facts in the case and signed by two or more persons as guarantors. However, in case of loss, a public notice to that effect shall be given at the expense of the applicant, and the new certificate of shares shall be issued only when no objection is raised within sixty (60) days from the date of the said public notice.

ARTICLE XVIII.—If any shareholder wishes to change the denominations of his certificates of shares, the said certificates shall be presented to the company together with the application.

ARTICLE XIX.—For the registration of a change in an owner's name on a certificate of shares, the issue of a new certificate of shares or the alteration of the denomination of a certificate of shares, the prescribed fees of the company shall be collected from the applicant.

ARTICLE XX.—During a period not exceeding thirty (30) days immediately preceding each ordinary general meeting of shareholders, the company shall suspend the assignment of shares.

Chapter III.—Shareholders

ARTICLE XXI.—The shareholders of this company shall be limited to the Governments of Japan and China, and the subjects of Japan and China.

ARTICLE XXII.—The Imperial Japanese Government shall furnish the following properties as capital, and the company shall deliver to the Government five hundred thousand (500,000) shares, amounting to Yen 100,000,000,

which is the value of the said properties:

The existing railways (except the rolling stock now actually in use, as well as the rails and accessories of the Mukden-Antunghsien temporary railway).

All properties attached to the railways referred to, except such properties within the leased territory as may be designated by the Government.

The coal-mines at Fushun and Yentai.

ARTICLE XXIII.—Each shareholder shall have the right to one vote for each share owned by him.

ARTICLE XXIV.—The shareholders and their legal representatives shall report to the company their domiciles, names and a copy of their legal seals, when they acquire shares. When any alteration in the above facts has taken place, similar measures shall be taken.

Chapter IV.—General Meeting

ARTICLE XXV.—An ordinary general meeting shall be called by the President twice every year in the months of June and December. An extraordinary general meeting shall be called by the President when the President or the Inspectors deem it necessary to do so, or when the shareholders owning at least one-tenth or more of the total number of shares have presented a request to that effect, stating the object of the general meeting and the reasons for calling the same. When the shareholders have requested a general meeting to be called, the President shall take steps for calling the same within fourteen (14) days.

ARTICLE XXVI.—The discussion at a general meeting shall be confined to the subjects previously announced.

ARTICLE XXVII.—The date, time and place of a general meeting shall be determined by the President, and a notice to that effect shall be sent out to the shareholders at least thirty (30) days in advance of such meeting.

ARTICLE XXVIII.—The President shall act as chairman of a general meeting.

ARTICLE XXIX.—The shareholders may appoint only shareholders of this company as their representatives, and their powers of attorney shall be presented to the company.

ARTICLE XXX.—The chairman of the general meeting shall be allowed to exercise his right to vote as a shareholder.

ARTICLE XXXI.—Resolutions of a general meeting shall be adopted by a majority vote of the shareholders present. In case of a tie, the chairman shall have the casting vote.

ARTICLE XXXII.—The issuance of company debentures or amendments to the Articles of Incorporation shall be decided by a majority vote, with more than one-half of the total number of shareholders and also of shareholders representing a half or more of the capital stock present.

If, in the case mentioned in the preceding paragraph the necessary quorum is not present, a provisional decision may be made by a majority of the shareholders present. A notification giving the essential details of the said provisional decision shall be sent to each shareholder, and another general meeting shall be called in not less than one month.

At the second general meeting the said provisional decision shall be confirmed or rejected by a majority vote of the shareholders present.

ARTICLE XXXIII.—The minutes of a general meeting shall be recorded in the Proceedings of the general meetings, and the same shall bear the signatures and seals of the President and chief officers present.

ARTICLE XXXIV.—The chairman of the general meeting may adjourn the meeting or change the place of meeting. The discussion at an adjourned meeting shall be confined to the subjects on which no decision was made at the preceding meeting.

Chapter V.—Chief Officers

ARTICLE XXXV.—The chief officers of this company shall be as follows:

President	1
Vice-President	1
Directors	4 or more
Inspectors	3 to 5

ARTICLE XXXVI.—The term of office of the President and Vice-President shall be five years, and they shall be appointed by the Government subject to the Imperial sanction.

The term of office of the Directors shall be four years, and they shall be appointed by the Government from among those who own fifty (50) shares or more.

The term of office of the Inspectors shall be three years, and they are to be elected by the shareholders at a general meeting of the shareholders.

ARTICLE XXXVII.—The remunerations and allowances of the President, Vice-President and Directors shall be determined by the Government.

The remuneration of the Inspectors shall be determined by a resolution of a general meeting of the shareholders.

ARTICLE XXXVIII.—The Directors are required, during their term of office, to deposit with the Inspectors fifty (50) shares of the company owned by them. These shares shall not be returned to their owners even on their retirement from office until all affairs transacted during their term of office shall have been approved at a general meeting.

ARTICLE XXXIX.—In the event of the office of any Inspector becoming vacant, an extraordinary general meeting of the shareholders shall be called for the purpose of a by-election, and the new Inspector shall hold office during the remainder of the term of office of his predecessor.

However, a by-election may be postponed until the next general meeting of the shareholders, except when the number of Inspectors has decreased to two or less.

ARTICLE XL.—The President shall represent the company and have general control of all its affairs.

The Vice-President shall represent the President when he is prevented from discharging his official duties, and shall act as President when the office is left vacant.

The Vice-President and the Directors shall assist the President, and each shall take charge of a part of the business of the company.

The Inspectors shall inspect the affairs of the company.

ARTICLE XLI.—During their respective terms of office the President, Vice-President and Directors shall not engage in any other occupation or business under any name whatever without the permission of the Government.

ARTICLE XLII.—The President shall keep at the head office as well as the branch office copies of the Articles of Incorporation and of the Record of Resolutions of the general meetings of shareholders. He shall also keep at the head office the Register of Shareholders and the Ledger of Debentures.

ARTICLE XLIII.—The President shall submit the following documents to the Inspectors seven (7) days in advance of the date set for the ordinary general meeting of shareholders:

(1) An inventory of the company's properties.

(2) A balance sheet.

(3) A report on the company's works.

(4) An account of the profits and losses.

(5) Proposals relating to the reserve funds and to the dividends.

ARTICLE XLIV.—The President shall have in readiness at the head-office before the day of an ordinary general meeting of the shareholders the documents mentioned in the preceding Article and the Inspectors' report.

ARTICLE XLV.—The President shall submit to an ordinary general meeting of the shareholders the documents mentioned in Article 43 and obtain its approval.

The President shall publish the balance sheet when he has obtained the approval mentioned in the preceding paragraph.

ARTICLE XLVI.—The Inspectors are required to examine the documents to be submitted by the President to a general meeting of shareholders and to report their views at the said meeting.

ARTICLE XLVII.—The Inspectors may at any time demand the President to report on the business of the company, and may examine the management of its affairs and the condition of its properties.

Chapter VI.—Supervisors

ARTICLE XLVIII.—The Supervisors of the South Manchuria Railway Joint Stock Company may at any time inspect the arrangements of the company's work, or examine the safes and books of the company, as well as the various documents and articles belonging to it.

The Supervisors may, whenever they deem it necessary, order the company to report on the various business accounts and the condition of the company.

The Supervisors may attend the general meetings of the shareholders or any other meetings and express their opinions, but they are not entitled to vote.

Chapter VII.—Accounts

ARTICLE XLIX.—The account of this company shall be settled by dividing a year into two periods. From April to September of every year shall be the first half year and from October to the following March shall be the second half year.

ARTICLE L.—This company shall set aside as a reserve fund one-

twentieth (1/20) or more of the profits, whenever they are apportioned, until the reserve fund amounts to one-fourth (1/4) of the capital.

Special reserve funds other than that provided for in the preceding paragraph shall be determined by a resolution of a general meeting.

ARTICLE LI.—The dividends to the shareholders shall be paid according to the Register of Shareholders as it stands on June 1 and December 1.

ARTICLE LII.—When the dividend of the company for any business year is less than six (6) per cent per annum on the paid-up capital for the shareholders other than the Governments of Japan and China (hereafter to be styled merely "the shareholders"), the Imperial Japanese Government shall supply the deficiency for a period of fifteen (15) years commencing from the day of the registration of the company's establishment. However, the amount of money to be supplied by the Government shall, under no circumstances, exceed six (6) per cent per annum on the capital paid in by the shareholders.

ARTICLE LIII.—When the dividend of the company does not exceed six (6) per cent per annum on the capital paid in by the shareholders, the dividend on the shares owned by the Government need not be paid.

The shares owned by the Chinese Government shall be dealt with in a similar way to those owned by the Imperial Japanese Government.

ARTICLE LIV.—The payment of interest on the debentures which the company may issue for the reconstruction of the railways, or for the operation of the accessory business, and on those which the company may issue for consolidating or redeeming old debentures, shall be guaranteed by the Imperial Japanese Government.

The reimbursement of the principal may also, if necessary, be guaranteed by the Imperial Japanese Government. The amount of the face value of the debentures to be guaranteed by the Imperial Japanese Government shall not exceed the amount remaining when the capital paid in by the shareholders other than the Imperial Japanese Government is subtracted from the total of the capital (Yen 100,000,000) subscribed by them.

The debentures mentioned in the first paragraph of this Article shall be redeemed within twenty-five (25) years.

ARTICLE LV.—For the debentures issued in accordance with the provisions of the first paragraph of the preceding Article, the Government shall supply the amount corresponding to the interest on the debentures.

When the dividend on the capital paid up by the shareholders exceeds six (6) per cent per annum, the surplus shall first be applied to the payment of the interest on the debentures. However, in this case the amount of surplus shall be deducted from the money to be supplied by the Government mentioned in the preceding paragraph.

ARTICLE LVI.—When there is any surplus after paying the interest on the debentures, as mentioned in the preceding Article, out of the profits of the company's business, the said surplus shall be apportioned to the shares owned by the Governments of Japan and China until the rate is equal on the respective amounts paid up by all shareholders.

ARTICLE LVII.—The money to be supplied by the Imperial Japanese Government, as provided for in Articles 52 and 55, shall bear interest at

six (6) per cent per annum. The interest shall be added annually to the principal, and the total shall be the company's indebtedness to the Imperial Japanese Government.

When the dividend for all shares exceeds ten (10) per cent per annum, the surplus shall be devoted to the redemption of the company's debt mentioned in the preceding paragraph.

Chapter VIII.—Expenses for Organizing the Company

ARTICLE LVIII.—The expenses for organizing the company shall not exceed 50,000 Yen.

Of the amount mentioned in the preceding paragraph that advanced by the Government shall be reimbursed by the company.

Supplementary Article

ARTICLE LIX.—The provisions in Articles 52 to 57 shall be confirmed upon being approved by the Imperial Diet.

No. 14

(JAPAN AND CHINA)

Treaty respecting South Manchuria and Eastern Inner Mongolia — May 25, 1915

His Excellency the President of the Republic of China and His Majesty the Emperor of Japan, having resolved to conclude a Treaty with a view to developing their economic relations in South Manchuria and Eastern Inner Mongolia, have for that purpose named as their Plenipotentiaries, that is to say;

His Excellency the President of the Republic of China, Lou Tseng-tsiang, Chung-ching, First Class Chia-ho and Minister of Foreign Affairs; and His Majesty the Emperor of Japan, Hioki Eki, Jushii, Second Class of the Imperial Order of the Sacred Treasure, Minister Plenipotentiary and Envoy Extraordinary;

Who, after having communicated to each other their full powers, and found them to be in good and due form, have agreed upon and concluded the following Articles:—

ARTICLE I.—The two High Contracting Parties agree that the term of lease of Port Arthur and Dalny and the terms of the South Manchuria Railway and Antung-Mukden Railway, shall be extended to 99 years.

ARTICLE II.—Japanese subjects in South Manchuria may, by negotiation, lease land necessary for erecting suitable buildings for trade and manufacture or for prosecuting agricultural enterprises.

ARTICLE III.—Japanese subjects shall be free to reside and travel in South Manchuria and to engage in business and manufacture of any kind whatsoever.

ARTICLE IV.—In the event of Japanese and Chinese desiring jointly to undertake agricultural enterprises and industries incidental thereto, the Chinese Government may give its permission.

ARTICLE V.—The Japanese subjects referred to in the preceding three

articles, besides being required to register with the local Authorities passports which they must procure under the existing regulations, shall also submit to the police laws and ordinances and taxation of China.

Civil and criminal cases in which the defendants are Japanese shall be tried and adjudicated by the Japanese Consul; those in which the defendants are Chinese shall be tried and adjudicated by Chinese Authorities. In either case an officer may be deputed to the court to attend the proceedings. But mixed civil cases between Chinese and Japanese relating to land shall be tried and adjudicated by delegates of both nations conjointly in accordance with Chinese law and local usage.

When, in future, the judicial system in the said region is completely reformed, all civil and criminal cases concerning Japanese subjects shall be tried and adjudicated entirely by Chinese law courts.

ARTICLE VI.—The Chinese Government agrees, in the interest of trade and for the residence of foreigners, to open by China herself, as soon as possible, certain suitable places in Eastern Inner Mongolia as Commercial Ports.

ARTICLE VII.—The Chinese Government agrees speedily to make a fundamental revision of the Kirin-Changchun Railway Loan Agreement, taking as a standard the provisions in railway loan agreements made heretofore between China and foreign financiers.

When in future, more advantageous terms than those existing railway loan agreements are granted to foreign financiers in connection with railway loans, the above agreement shall again be revised in accordance with Japan's wishes.

ARTICLE VIII.—All existing treaties between China and Japan relating to Manchuria shall, except where otherwise provided for by this Treaty, remain in force.

ARTICLE IX.—The present Treaty shall come into force on the date of its signature. The present Treaty shall be ratified by His Excellency the President of the Republic of China and His Majesty the Emperor of Japan, and the ratifications thereof shall be exchanged at Tokio as soon as possible.

In witness whereof the respective Plenipotentiaries of the two High Contracting Parties have signed and sealed the present Treaty, two copies in the Chinese language and two in Japanese.

Done at Peking this twenty-fifth day of the fifth month of the fourth year of the Republic of China, corresponding to the same day of the same month of the fourth year of Taisho.

No. 15

Exchange of Notes respecting Railways and Taxes in South Manchuria and Eastern Inner Mongolia — April 5, 1915

Peking, the 25th day of the 5th month of the 4th year of the Republic of China.

Monsieur le Ministre,

In the name of my Government, I have the honour to make the following declaration to your Government:

China will hereafter provide funds for building necessary railways in South Manchuria and Eastern Inner Mongolia; if foreign capital is required China may negotiate for a loan with Japanese capitalists first; and further, the Chinese Government, when making a loan in future on the security of the taxes in the above-mentioned places (excluding the salt and customs revenue which have already been pledged by the Chinese Central Government) may negotiate for it with Japanese capitalists.

I avail, etc.,

(Signed) Lou Tseng-tsiang.

His Excellency,
Hioki Eki,
Japanese Minister.

Reply

Peking, the 25th day of the 5th month
of the 4th year of Taisho.

Excellency,

I have the honour to acknowledge the receipt of Your Excellency's note of this day's date respecting railways and taxes in South Manchuria and Eastern Inner Mongolia in which you stated:

China will hereafter provide funds for building necessary railways in South Manchuria and Eastern Inner Mongolia; if foreign capital is required China may negotiate for a loan with Japanese capitalists first; and further, the Chinese Government, when making a loan in future on the security of taxes in the above-mentioned places (excluding the salt and customs revenue which has already been pledged by the Chinese Central Government) may negotiate for it with Japanese capitalists first.

In reply I beg to state that I have taken note of the same.

I avail, etc.,

(Signed) Hioki Eki.

His Excellency,
Lou Tseng-tsiang,
Minister of Foreign Affairs.

No. 16

(JAPAN AND CHINA)

Preliminary Agreement for Loan for the Construction of Kirin-Hueining Railway — June 18, 1918

For the purpose of constructing the railway from Kirin, in the Republic of China, to Hueining, through the Southern part of Yenchi (Chientao) and the Tumen River, the Government of the Republic of China (hereinafter called A) hereby enters into the present preliminary agreement with the three Japanese Banks, the Industrial Bank of Japan, the Bank of Chosen and the Bank of Taiwan, represented by the Industrial Bank of Japan (hereinafter called B) as the basis of a formal loan agreement for the same Railway: —

ARTICLE I.—A shall with due promptness outline the amount of funds required for the construction of the railway and other items of necessary expenditure and bring it to the notice of B for its consent.

In accordance with the amount of funds required as referred to above, B shall issue 5 per cent. public loan bonds of the Republican Government of China in gold currency for A.

ARTICLE II.—The period for the redemption of the present loan shall be limited to forty years. Redemption of the loan shall begin from the 11th year calculating from the date of the issue of the bonds and the method of yearly-instalment redemption shall be followed.

ARTICLE III.—As soon as the formal agreement for the Kirin-Hueining Railway loan is signed, A shall begin to construct the line so as to hasten its completion.

ARTICLE IV.—A shall build the railway bridge over the Tumen River conjointly with the Railway Department of the Office of the Japanese Governor General for Korea and shall share half of the expense thereof.

Regarding through traffic between this railway and the railway in Korea, a separate agreement shall be entered into with a view to developing the traffic and securing the smooth co-operation of the two railways concerned.

ARTICLE V.—A shall pledge the following assets to B as security for payment of interest and redemption of the present loan bonds:

All the property owned by and the revenue due to the railway either at present or in the future.

Without the approval of B, A shall not offer either the property or the revenue of the railway to others as loan security.

ARTICLE VI.—The actual amount of funds to be received by A out of the issue of the present loan bonds shall be such as to be more profitable to A than what is stipulated in the Ssupingkai-Chengchiatun Railway Loan Agreement concluded on December 17 of the 4th year of the Republic.

The rate at which the present loan bonds are to be issued shall be fixed according to the circumstances under which they are issued.

ARTICLE VII.—Regarding the particulars which are not provided for under the foregoing articles, they shall be decided upon by A and B in accordance with the Tientsin-Pukow Railway Loan Agreement signed on the 10th of the 12th moon of the 33rd Year of Kuanghsu.

ARTICLE VIII.—The present preliminary agreement shall be the basis of the formal agreement for the Kirin-Hueining Railway Loan, which shall be concluded within six months after the conclusion of the present preliminary agreement.

ARTICLE IX.—Upon the conclusion of the present preliminary agreement, B shall pay to A an advance of $ 10,000,000 in full without any deduction for commission.

ARTICLE X.—The advance referred to above shall bear $7\frac{1}{2}$ per cent. interest per annum; that is, $7\frac{1}{2}$ yen shall be paid for the yearly interest on every 100 yen.

ARTICLE XI.—The advance shall be paid to A in specie in exchange for the Treasury Notes issued by A.

ARTICLE XII.—The Treasury Notes mentioned in the foregoing article shall be subject to change every six months. At each occasion of their change for new ones, the interest due for the said period shall be paid to B.

ARTICLE XIII.—After the conclusion of the formal agreement for the

Kirin-Hueining Railway Loan, the advance shall have the preferential right of being repaid with the proceeds from the issue of the loan bonds referred to above.

ARTICLE XIV.—The payment of the advance, its redemption and the payment of its interest and other transactions in connection therewith shall be carried out at Tokio.

Two copies of the present preliminary agreement shall be written in the Chinese language and two copies in the Japanese language and A and B shall each keep one copy written in each language. In case any dispute arises with regard to the interpretation of the agreement, the text of the one written in Japanese shall be considered as authoritative.

No. 17

(JAPAN AND CHINA)

Preliminary Agreement for Loan for Railways in Manchuria and Mongolia — September 28, 1918

The following preliminary agreement has been concluded between the Government of the Chinese Republic (hereinafter called the Government) and the Industrial Bank of Japan, representing the Industrial Bank of Japan, the Bank of Taiwan and the Bank of Chosen (hereinafter called the Banks), with the object of concluding a loan contract for the purpose of building a railway between Jehol and Taonan, a railway between Changchun and Taonan, a railway between Kirin and Kaiyuan by way of Hailung, and a railway from a point on the Jehol-Taonan Railway to a certain seaport (hereinafter called the Four Railways of Manchuria and Mongolia).

ARTICLE I.—The Government shall permit the Banks to raise all the funds required for building the Jehol-Taonan, Changchun-Taonan, Kirin-Kaiyuan Railways, and the railway between a point on the Jehol-Taonan Railway to a certain seaport, by means of Chinese Government bonds of the Jehol-Taonan Railway, bonds of the Changchun-Taonan Railway, bonds of the Kirin- Kaiyuan Railway, and bonds of the. . . . .railway respectively (hereinafter called the gold bonds of the Four Manchuria and Mongolian Railways). Provided, however, that the route of the railway from a point on the Jehol-Taonan Railway to a certain seaport shall be decided upon by consultation between the Government and the Banks.

ARTICLE II.—The Government shall speedily determine the expense for constructing the Four Railways of Manchuria and Mongolia and all other expenses necessary, and shall obtain the approval of the Banks.

ARTICLE III.—The term of the gold loans of the Four Railways of Manchuria and Mongolia shall be forty years. The redemption of the principal, to be refunded by annual instalments, shall commence after eleven years, counting from the issue of the loan.

ARTICLE IV.—With the conclusion of the loan contract, the Government shall consult the Banks as to the plan of work to be started according to the plan agreed upon, with a view to speedy construction.

ARTICLE V.—The Government shall offer the following to the Banks as security for the payment of the principal and interest on the loans:—

All the property and revenue of the Four Railways of Manchuria and Mongolia, at present and in the future.

The Government shall not offer the above-mentioned property and revenue to other parties unless the approval of the Banks is obtained.

ARTICLE VI.—The issue price, interest, net amount to be received by the Government, and other conditions, shall be agreed upon between the parties in as favorable terms as possible to the Government when the loan is issued.

ARTICLE VII.—Matters which are not provided for in the foregoing Articles shall be agreed upon by consultation between the Government and the Banks.

ARTICLE VIII.—A formal loan contract shall be concluded within four months after the conclusion of the present preliminary agreement.

ARTICLE IX.—With the conclusion of the preliminary contract the Banks shall advance twenty million yen of Japanese currency to the Government. The advance shall be delivered without charging any commission.

ARTICLE X.—Interest on the advance shall be paid at the rate of eight per cent. per annum or Yen Eight per Yen 100.

ARTICLE XI.—The advance shall be delivered in the form of the discount of Treasury Bills issued by the Government.

ARTICLE XII.—The Treasury Bills mentioned in the preceding paragraph shall be renewed every six months, and an amount shall be paid into the Banks equal to six months' interest.

ARTICLE XIII.—After the final agreement for the loan for the Four Railways in Manchuria and Mongolia has been effected, the Government shall repay previous advances preferentially and without delay from the funds obtained by the issue of a public loan.

ARTICLE XIV.—The collection, repayment, payment of interest, and all other payments of the previous advances, shall be made at Tokyo, Japan.

Two sets each in Japanese and Chinese of the preliminary agreement shall be prepared and signed, and the Government and the Banks shall retain a copy of each.

In case a dispute should arise concerning the interpretation of this preliminary agreement, it shall be interpreted according to the Japanese text.

September 28, 7th Year of Taisho.

(Signed) Industrial Bank of Japan,
Eijiro Ono,
Vice-President.

Chang Tsung-hsiang,
Envoy Extraordinary and Minister
Plenipotentiary of China.

No. 18

Imperial Ordinance respecting Organization of the Government of Kwantung — April 12, 1919

1.—The Kwantung Government shall be established in Kwantung Province.

2.—The Kwantung Government shall have a governor (Chokan).

The Governor of Kwantung shall have jurisdiction over Kwantung Province, and shall exercise control over the policing of the railway lines in South Manchuria.

The Governor of Kwantung shall supervise the business of the South Manchuria Railway Company.

3.—The Governor of Kwantung shall be of Shinnin rank.

When a military officer is appointed as Governor of Kwantung he shall assume, in addition, the command of the Kwantung army.

4.—The Governor of Kwantung shall carry on administrative business under the supervision of the Prime Minister; but with reference to international affairs he shall be under the supervision of the Foreign Minister.

5.—The Governor of Kwantung may in accordance with his administrative powers or with special delegation of authority issue orders, the infringement of which may be punished by him with imprisonment not to exceed one year or with a fine not to exceed one hundred yen.

6.—In case urgent measures are necessary for the preservation of peace and order, the Governor of Kwantung may issue orders attaching penalties exceeding the limitations of the foregoing article.

Orders which have been issued in accordance with the provisions of the foregoing paragraph shall be submitted for Imperial sanction immediately through the Prime Minister. If Imperial sanction is not obtained the Governor of Kwantung shall immediately give notice that the orders are in future invalid.

7.—When the Governor of Kwantung deems it necessary for the preservation of peace and order within the districts under his jurisdiction or for the protection of the railway lines, he may request the Commander of the Kwantung army for the use of military force.

8.—When the Governor of Kwantung deems that an order issued or a measure adopted by an office under his jurisdiction is contrary to the rules, injurious to public welfare or exceeds official authority, he may suspend or cancel the order or measure.

9.—The Governor of Kwantung shall assume control over all officials under his jurisdiction; the appointment or dismissal of officials of Sonin rank shall be submitted through the Prime Minister for Imperial sanction, and the appointment or dismissal of officials of Hannin rank shall be effected at his own discretion.

10.—The Governor of Kwantung shall submit through the Prime Minister for Imperial sanction the decoration of officials under him.

11.—The Governor of Kwantung shall be empowered to discipline the officials under him. He shall submit through the Prime Minister for Imperial sanction the dismissal of Chokunin and Sonin officials.

12.—There shall be established in the Kwantung Government a Governor's Secretariat and sections of civil and foreign affairs. The Governor shall determine the apportioning of work in the Governor's Secretariat and the sections of civil and foreign affairs.

13.—The Kwantung Government shall be divided into two districts in each of which an office of civil affairs shall be established. The Governor of

Kwantung shall determine their location, names and boundaries of jurisdiction.

14.—Branch civil offices shall be established at important points in order to distribute the work of civil offices. The Governor of Kwantung shall determine their location, names and boundaries of jurisdiction.

15.—In the Government of Kwantung the following officials shall be appointed:

Chief Secretary		Chokunin rank
Chief of Section of Civil Affairs		,,
,, Foreign Affairs		,,
One Councillor		Sonin rank
Seven Secretaries (one of whom may be of Chokunin rank)		,,
Police Officer, one		,,
Private Secretary, one		,,
Educational Officer, one		,,
Nine Engineers		,,
Nine Police Officers		,,
Two Translators		,,
Clerks		,,
School Officers		,,
Police Officers		,,
Engineers' Assistants	173	Hannin rank
Translators' Assistants		,,
Police Assistants	99	,,

The position of Chief of the Section of Civil Affairs, Chief Secretary, and Chief of the Section of Foreign Affairs shall be filled by the Consul General at Mukden.

The positions of secretaries may be filled as additional posts by consuls in South Manchuria.

The Government of Kwantung shall have an adviser for communications. This position shall be filled by the President of the South Manchuria Railway Company.

(The remaining 24 articles deal with the duties of these various officials.)

Supplementary Rules.—This Ordinance shall be effective from the date of its promulgation.

The Organization of the Kwantung Government General is hereby abolished.

No. 19

Exchange of Notes relating to New Consortium Agreement — May 11, 1920

Tokyo, Japan, May 11, 1920.

N. Kajiwara, Esquire,
Tokio, Japan.

Dear Sir:

We beg to acknowledge, with thanks, the receipt of your communication of May 11th, 1920, informing us, in behalf of the Japanese Banking Group

that, under the instructions of your Government, you have now withdrawn your letter dated June 18th, 1919, and have adopted, in association with the Banking Groups of America, Great Britain and France and on like terms with them, the agreement for the establishment of a New Consortium in respect to China.

We are happy to note that certain points that had hitherto been somewhat obscure to your Group and to your Government have now been made plain, and we trust with you that the way is clear for the Consortium to undertake operations.

Inasmuch as some questions have arisen during our discussions as to the status of specific railway enterprises contemplated or actually begun in Manchuria and Mongolia, we hereby confirm that we have agreed with you as follows:

(1) That the South Manchuria Railway and its present branches, together with the mines which are subsidiary to the railway, do not come within the scope of the Consortium;

(2) That the projected Taonanfu-Jehol Railway and the projected railway connecting a point on the Taonanfu-Jehol Railway with a seaport are to be included within the terms of the Consortium Agreement;

(3) That the Kirin-Hueining, the Chengchiatun-Taonanfu, the Changchun-Taonanfu, the Kaiyuan-Kirin (via Hailung), the Kirin-Changchun, the Hsinminfu-Mukden and the Ssupingkai-Chengchiatun Railways are outside the scope of the joint activities of the Consortium.

The foregoing letter of acknowledgment, although written in behalf of the American Banking Group, has, we are assured, the cordial approval of the British and French Banking Groups, also of the Governments of the United States, of Great Britain and of France.

Pray be good enough to present our regards to your colleagues in the Japanese Banking Group and our best wishes for the success of the joint Four-power Undertaking.

Very truly yours,

(Signed) Thomas W. Lamont,

For and in behalf of the American Group.

No. 20

New Consortium Agreement — October 15, 1920

The Hongkong and Shanghai Banking Corporation, having its office at 9 Gracechurch Street in the City of London (hereinafter called "the Hongkong Bank") of the first part,

The Banque de L'Indo-Chine, having its office at 15 bis Rue Laffite, Paris (hereinafter called "the French Bank") of the second part,

The Yokohama Specie Bank Limited, having its office at Yokohama in Japan (hereinafter called "the Japanese Bank") of the third part, and,

Messrs. J. P. Morgan & Co., Messrs. Kuhn Loeb & Co., the National City Bank of New York, the Guaranty Trust Company of New York, Messrs.

Lee, Higginson & Co., of Boston and the Continental and Commercial Trust and Savings Bank of Chicago (hereinafter called "the American Managers") acting as to the United Kingdom by Messrs. Morgan, Grenfell and Co., of 22 Old Broad Street in the City of London, and as to France by Messrs. Morgan, Marjes & Co., of Paris of the fourth part.

Whereas the Hongkong Bank, the French Bank, the Japanese Bank and the American Managers are acting for the purposes of this Agreement as the representatives of the British, French, Japanese and American Groups respectively,

And whereas the British, French, Japanese and American Groups were formed with the object of negotiating and carrying out Chinese loan business;

And whereas their respective Governments have undertaken to give their complete support to their respective national groups the parties hereto in all operations undertaken pursuant to the agreement hereinafter contained, and have further undertaken that in the event of competition in the obtaining of any specific loan contract the collective support of the diplomatic representatives in Peking of the four Governments will be assured to the parties hereto for the purpose of obtaining such contract;

And whereas the said national groups are of the opinion that the interests of the Chinese people can in existing circumstances best be served by the co-operative action of the various banking groups representing the investment interests of their respective countries in procuring for the Chinese Government the capital necessary for a programme of economic reconstruction and improved communications;

And whereas with these objects in view the respective national groups are prepared to participate on equal terms in such undertakings as may be calculated to assist China in the establishment of her great public utilities and to these ends to welcome the co-operation of Chinese capital;

Now it is hereby agreed by and between the parties hereto as follows:

1.—Each Group reserves to itself the right of increasing or reducing the number of its own members, but so that any member of a group dropping out shall remain bound by the restrictive provisions hereof and any member of a group coming in shall become subject to the restrictive provisions hereof, and so that no group shall (without the consent of the others) be entitled to admit into its group a new member who is not of its nationality and domiciled in its market. The admission of any new group shall be determined by the parties hereto subject to the approval of their respective Governments.

2.—This agreement relates to existing and future loan agreements which involve the issue for subscription by the public of loans to the Chinese Government or to Chinese Government Departments or to Provinces of China or to companies or corporations owned or controlled by or on behalf of the Chinese Government or any Chinese Provincial Government or to any party if the transaction in question is guaranteed by the Chinese Government or Chinese Provincial Government but does not relate to agreements for loans to be floated in China. Existing agreements relating to industrial undertakings upon which it can be shown that substantial progress has been made may be omitted from the scope of this agreement.

3.—The existing agreements and any future loan agreements to which this agreement relates and any business arising out of such agreements respectively shall be dealt with by the said groups in accordance with the provisions of this agreement.

4.—This agreement is made on the principle of complete equality in every respect between the parties hereto and each of the parties hereto shall take an equal share in all operations and sign all contracts and shall bear an equal share of all charges in connection with any business (except stamp duties and any charges of and in connection with the realization by the parties hereto in their respective markets of their shares in the operations) and the parties hereto shall conclude all contracts with equal rights and obligations as between themselves and each party shall have the same rights privileges prerogatives advantages responsibilities and obligations of every sort and kind. Accordingly preliminary advances on account of or in connection with business to which this agreement relates shall be borne by each of the parties hereto in equal shares and each of the parties hereto shall be entitled to participate equally in the existing agreements and will offer to the other parties hereto an equal participation with itself in any future loan business falling within the scope of this agreement. Should one or more of the parties hereto decline a participation in the existing agreements or any of them or in any such future loan business as aforesaid the party or parties accepting a participation therein shall be free to undertake the same but shall issue on its or their markets only.

5.—All contracts shall so far as possible be made so as not to impose joint liability on the parties hereto but each of the parties hereto shall severally liquidate its own engagements or liabilities. The parties hereto will so far as possible come to an understanding with regard to the realization of the operations but so that such realization in whatever manner this may take place shall be for the separate benefit of each of the parties hereto as regards their respective participations therein and so that each of the parties hereto shall be entitled to realize its participation in the operations only in its own market it being understood that the issues in the respective markets are to be made at substantial parity.

6.—Any one or more of the parties hereto who shall have accepted its or their participation in any business hereunder shall be entitled by notice in writing to call upon the other or others of the parties hereto who propose to issue their own respective participations to issue for the account of the party or parties giving such notice or notices either all or one-half of the amount which may constitute the participation of the party or parties, giving such notice or notices and the party or parties so called upon shall issue the said amount or amounts (hereinafter called "the Residuary Participation") specified in such notice or notices upon and subject to the terms and conditions following, viz.:

(1) Such notice or notices must be received by the other or others of the parties hereto before the execution of the final agreement for issue of the loan or (in the case of an issue of a part only of the loan) of so much thereof as the parties hereto may from time to time agree to issue.

(2) The party or parties to whom such notice or notices shall have been given shall be entitled to decide among themselves and without reference to the party or parties giving such notice or notices as to which one or more of them shall issue the Residuary Participation but in default of any such decision they shall issue the same equally between them.

(3) In issuing the Residuary Participation no distinction shall be made between the Residuary Participation and the amount or amounts issued on its or their own account by the party or parties issuing the Residuary Participation which shall in all respects be subject to the conditions of the respective Syndicates which may be formed for the purpose of effecting the issue.

(4) Each of the parties issuing the Residuary Participation shall be entitled to decide for itself and without reference to the party or parties giving such notice or notices as to what expenses shall be incurred in relation to the issue of the total amount issued by such party.

(5) The party or parties issuing the Residuary Participation shall be entitled between them to charge the party or parties giving such notice or notices with a commission of not exceeding $1\frac{1}{2}$ per cent. on the nominal amount of the Residuary Participation and also with a pro rata share of the expenses which the issuing party or parties may in their sole discretion incur in relation to the whole issue and being in the proportion which the Residuary Participation bears to the total nominal amount of the issue.

(6) The party or parties issuing the Residuary Participation shall not by virtue of this Agreement incur any responsibility to subscribe for the Residuary Participation or to cause the same to be subscribed.

(7) Each party issuing the Residuary Participation shall apply all subscriptions received by it pro rata between the Residuary Participation issued by it and the amount issued by such party on its own account.

(8) Each of the parties issuing the Residuary Participation will apply for and use its best endeavours to obtain a quotation on its market for the total amount issued by it.

(9) No issue of the Residuary Participation or any part thereof shall be made by the party or parties giving such notice or notices unless mutually agreed by the parties hereto.

7.—No participation shall be given by any one of the parties hereto outside its own market. Any participation given in its own market by any one of the parties hereto shall be for its own market only or in the event of the issue including any of the Residuary Participation for the accounts pro rata of the issuing Bank and the party or parties giving such participation, the party giving the same shall use its best endeavours to secure that no part of such participation shall be transferred to parties outside the market of the party giving the same. Any other participation shall be given only with the consent of all parties hereto and shall be borne in equal shares by the parties hereto.

8.—This agreement shall remain in force for the period of five years from the date hereof provided nevertheless that a majority of the parties hereto may by twelve months' previous notice in writing addressed to the other parties hereto determine this agreement at any time.

In witness whereof the duly authorized representatives of the respective parties hereto have set their hands the day and year first above written.

For the Hongkong and Shanghai Banking Corporation,
On behalf of the British Group:
C. S. Addis.

For the Banque de L'Indo-Chine,
On behalf of the French Group:
Th. De La Chaume.

For the Yokohama Specie Bank, Ltd.,
On behalf of the Japanese Group:
K. Takeuchi.

For and on behalf of the American Group:
J. P. Morgan & Co.
Kuhn, Loeb & Co.
The National City Bank of New York.
by J. A. Stillman, President.
The Guaranty Trust Company & Savings Bank, Chicago.
by J. R. Swan, Vice-President.
Continental & Commercial Trust & Savings Bank, Chicago.
by John Jay Abbott, Vice-President.
Chase National Bank, New York City.
by A. H. Wiggin, Chairman.
Lee, Higginson & Co.

No. 21

Statement of Japanese Delegation at Washington Conference with regard to Preferential Rights in South Manchuria and Eastern Inner Mongolia — February 2, 1922

1. Japan is ready to throw open to the joint activity of the International Consortium recently organized, the right of option granted exclusively in favor of Japanese capital, with regard, first, to loans for the construction of railways in South Manchuria and Eastern Inner Mongolia, and, second, to loans to be secured on taxes in that region; it being understood that nothing in the present declaration shall be held to imply any modification of the notes and memoranda which were exchanged among the governments of the countries represented in the Consortium and also among the national financial groups composing the Consortium, in relation to the scope of the joint activity of that organization.

2. Japan has no intention of insisting on her preferential right under the Sino-Japanese arrangements in question concerning the engagement by China of Japanese advisers or instructors on political, financial, military, or police matters in South Manchuria.

3. Japan is further ready to withdraw the reservation which she made,

in proceeding to the signature of the Sino-Japanese treaties and notes of 1915, to the effect that Group V of the original proposals of the Japanese Government would be postponed for future negotiations.

No. 22

(WASHINGTON CONFERENCE)

Treaty* relating to Principles and Policies Concerning China — February 6, 1922

ARTICLE I—The Contracting Powers, other than China, agree:

(1) To respect the sovereignty, the independence, and the territorial and administrative integrity of China;

(2) To provide the fullest and most unembarrassed opportunity to China to develop and maintain for herself an effective and stable government;

(3) To use their influence for the purpose of effectually establishing and maintaining the principle of equal opportunity for the commerce and industry of all nations throughout the territory of China;

(4) To refrain from taking advantage of conditions in China in order to seek special rights or privileges which would abridge the rights of subjects or citizens of friendly States, and from countenancing action inimical to the security of such States.

ARTICLE II.—The Contracting Powers agree not to enter into any treaty, agreement, arrangement, or understanding, either with one another, or, individually or collectively, with any Power or Powers, which would infringe or impair the principles stated in Article I.

ARTICLE III.—With a view to applying more effectually the principles of the Open Door or equality of opportunity in China for the trade and industry of all nations, the Contracting Powers, other than China, agree that they will not seek, nor support their respective nationals in seeking:—

(a) any arrangement which might purport to establish in favour of their interests any general superiority of rights with respect to commercial or economic development in any designated region of China;

(b) any such monopoly or preference as would deprive the nationals of any other Power of the right of undertaking any legitimate trade or industry in China, or of participating with the Chinese Government, or with any local authority, in any category of public enterprise, or which by reason of its scope, duration or geographical extent is calculated to frustrate the practical application of the principle of equal opportunity.

It is understood that the foregoing stipulations of this Article are not to be so construed as to prohibit the acquisition of such properties or rights as may be necessary to the conduct of a particular commercial, industrial, or financial undertaking or to the encouragement of invention and research.

China undertakes to be guided by the principles stated in the foregoing stipulations of this Article in dealing with applications for economic rights and privileges from Governments and nationals of all foreign countries,

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* The Treaty was signed by Belgium, the British Empire, China, France, Italy, Japan, the Netherlands, Portugal and the United States of America.

whether parties to the present Treaty or not.

ARTICLE IV.—The Contracting Powers agree not to support any agreements by their respective nationals with each other designed to create Spheres of Influence or to provide for the enjoyment of mutually exclusive opportunities in designated parts of Chinese territory.

ARTICLE V.—China agrees that, throughout the whole of the railways in China, she will not exercise or permit unfair discrimination of any kind. In particular there shall be no discrimination whatever, direct or indirect, in respect of charges or of facilities on the ground of the nationality of passengers or the countries from which or to which they are proceeding, or the origin or ownership of goods or the country from which or to which they are consigned, or the nationality or ownership of the ship or other means of conveying such passengers or goods before or after their transport on the Chinese Railways.

The Contracting Powers, other than China, assume a corresponding obligation in respect of any of the aforesaid railways over which they or their nationals are in a position to exercise any control in virtue of any concession, special agreement or otherwise.

ARTICLE VI.—The Contracting Powers, other than China, agree fully to respect China's rights as a neutral in time of war to which China is not a party; and China declares that when she is a neutral she will observe the obligations of neutrality.

ARTICLE VII.—The Contracting Powers agree that, whenever a situation arises which in the opinion of any one of them involves the application of the stipulations of the present Treaty, and renders desirable discussion of such application, there shall be full and frank communication between the Contracting Powers concerned.

ARTICLE VIII.—Powers not signatory to the present Treaty, which have Governments recognized by the Signatory Powers and which have treaty relations with China, shall be invited to adhere to the present Treaty. To this end the Government of the United States will make the necessary communications to non-signatory Powers and will inform the Contracting Powers of the replies received. Adherence by any Power shall become effective on receipt of notice thereof by the Government of the United States.

ARTICLE IX.—The present Treaty shall be ratified by the Contracting Powers in accordance with their respective constitutional methods and shall take effect on the date of the deposit of all the ratifications, which shall take place at Washington as soon as possible. The Government of the United States will transmit to the other Contracting Powers a certified copy of the procès-verbal of the deposit of ratifications.

The present Treaty, of which the French and English texts are both authentic, shall remain deposited in the archives of the Government of the United States, and duly certified copies thereof shall be transmitted by that Government to the other Contracting Powers.

In faith whereof the above-named Plenipotentiaries have signed the present Treaty.

Done at the City of Washington the Sixth day of February One Thousand Nine Hundred and Twenty-Two.

No. 23

Agreement on General Principles for the Settlement of Questions between China and Soviet Russia — May 31, 1924

The Republic of China, and the Union of Soviet Socialist Republics desiring to re-establish normal relations with each other, have agreed to conclude an agreement on general principles for the settlement of the questions between the two countries, and have to that end named as their Plenipotentiaries, that is to say:

His Excellency the President of the Republic of China:

Vi Kyuin Wellington Koo.

The Government of the Union of Soviet Socialist Republics:

Lev Mikhailovitch Karakhan.

Who, having communicated to each other their respective full powers, found to be in good and due form, have agreed upon the following Articles:

ARTICLE I.—Immediately upon the signing of the present Agreement, the normal diplomatic and consular relations between the two Contracting Parties shall be re-established.

The Government of the Republic of China agrees to take the necessary steps to transfer to the Government of the Union of Soviet Socialist Republics the Legation and Consular buildings formerly belonging to the Tsarist Government.

ARTICLE II.—The Governments of the two Contracting Parties agree to hold, within one month after the signing of the present Agreement, a conference which shall conclude and carry out detailed arrangements relative to the questions in accordance with the principles as provided in the following Articles.

Such detailed arrangements shall be completed as soon as possible and, in any case, not later than six months from the date of the opening of the Conference as provided in the preceding paragraph.

ARTICLE III.—The Governments of the two Contracting Parties agree to annul at the Conference as provided in the preceding Article, all Conventions, Treaties, Agreements, Protocols, Contracts, etcetera, concluded between the Government of China and the Tsarist Government, and to replace them with new treaties, agreements, etcetera, on the basis of equality, reciprocity and justice, as well as the spirit of the Declarations of the Soviet Government of the years of 1919 and 1920.

ARTICLE IV.—The Government to the Union of Soviet Socialist Republics, in accordance with its policy and Declarations of 1919 and 1920, declares that all Treaties, Agreements, etcetera, concluded between the former Tsarist Government and any third party or parties affecting the sovereign rights or interest of China, are null and void.

The Governments of both Contracting Parties declare that in future neither Government will conclude any treaties or agreements which prejudice the sovereign rights or interests of either Contracting Party.

ARTICLE V.—The Government of the Union of Soviet Socialist Republics recognizes that Outer Mongolia is an integral part of the Republic of China and respects China's sovereignty therein.

The Government of the Union of Soviet Socialist Republics declares that as soon as the questions for the withdrawal of all the troops of the Union of Soviet Socialist Republics from Outer Mongolia — namely, as to the time-limit of the withdrawal of such troops and the measures to be adopted in the interests of the safety of the frontiers — are agreed upon at the Conference as provided in Article II. of the present Agreement, it will effect the complete withdrawal of all the troops of the Union of Soviet Socialist Republics from Outer Mongolia.

ARTICLE VI.—The Governments of the two Contracting Parties mutually pledge themselves not to permit within their respective territories the existence and/or activities of any organizations or groups whose aim is to struggle by acts of violence against the Governments of either Contracting Party.

The Governments of the two Contracting Parties further pledge themselves not to engage in propaganda directed against the political and social systems of either Contracting Party.

ARTICLE VII.—The Governments of the two Contracting Parties agree to redemarcate their national boundaries at the Conference as provided in Article II. of the present Agreement, and pending such redemarcation, to maintain the present boundaries.

ARTICLE VIII.—The Governments of the two Contracting Parties agree to regulate at the aforementioned Conference the questions relating to the navigation of rivers, lakes, and other bodies of water which are common to their respective frontiers, on the basis of equality and reciprocity.

ARTICLE IX.—The Governments of the two Contracting Parties agree to settle at the aforementioned Conference the question of the Chinese Eastern Railway in conformity with the principles as hereinafter provided:

(1) The Governments of the two Contracting Parties declare that the Chinese Eastern Railway is a purely commercial enterprise.

The Governments of the two Contracting Parties mutually declare that with the exception of matters pertaining to the business operations which are under the direct control of the Chinese Eastern Railway, all other matters affecting the right of the National and the Local Governments of the Republic of China — such as judicial matters, matters relating to civil administration, military administration, police, municipal government, taxation, and landed property (with the exception of lands required by the said Railway) — shall be administered by the Chinese Authorities.

(2) The Government of the Union of Soviet Socialist Republics agrees to the redemption by the Government of the Republic of China, with Chinese Capital, of the Chinese Eastern Railway, as well as all appurtenant properties, and to the transfer to China of all shares and bonds of the said Railway.

(3) The Governments of the two Contracting Parties shall settle at the Conference as provided in Article II. of the present Agreement the amount and conditions governing the redemption as well as the procedure for the transfer of the Chinese Eastern Railway.

(4) The Government of the Union of Soviet Socialist Republics agrees to be responsible for the entire claims of the shareholders, bondholders and creditors of the Chinese Eastern Railway incurred prior to the Revolution of March 9th, 1916.

(5) The Governments of the two Contracting Parties mutually agree that the future of the Chinese Eastern Railway shall be determined by the Republic of China and the Union of Soviet Socialist Republics, to the exclusion of any third party or parties.

(6) The Governments of the two Contracting Parties agree to draw up an arrangement for the provisional management of the Chinese Eastern Railway pending the settlement of the questions as provided under Section (3) of the present Article.

(7) Until the various questions relating to the Chinese Eastern Railway are settled at the Conference as provided in Article II. of the present Agreement, the rights of the two Governments arising out of the Contract of August 27th, September 8th, 1896, for the Construction and Operation of the Chinese Eastern Railway, which do not conflict with the present Agreement and the Agreement for the Provisional Management of the said Railway and which do not prejudice China's rights of sovereignty, shall be maintained.

ARTICLE X.—The Government of the Union of Soviet Socialist Republics agrees to renounce the special rights and privileges relating to all concessions in any part of China acquired by the Tsarist Government under various Conventions, Treaties, Agreements, etcetera.

ARTICLE XI.—The Government of the Union of Soviet Socialist Republics agrees to renounce the Russian portion of the Boxer Indemnity.

ARTICLE XII.—The Government of the Union of Soviet Socialist Republics agrees to relinquish the rights of extraterritoriality and consular jurisdiction.

ARTICLE XIII.—The Governments of the two Contracting Parties agree to draw up simultaneously with the conclusion of a Commercial Treaty at the Conference as provided in Article II. of the present Agreement, a Customs Tariff for the two Contracting Parties in accordance with the principles of equality and reciprocity.

ARTICLE XIV.—The Governments of the two Contracting Parties agree to discuss at the aforementioned Conference the questions relating to the claims for compensation of losses.

ARTICLE XV.—The present Agreement shall come into effect from the date of signature.

In witness whereof, the respective Plenipotentiaries have signed the present Agreement in duplicate in the English language and have affixed thereto their seals.

Done at the City of Peking this Thirty-First Day of the Fifth Month of the Thirteenth Year of the Republic of China, which is the Thirty-First Day of May, One Thousand Nine Hundred and Twenty-Four.

(Seal) V. K. Wellington Koo.

(Seal) L. M. Karakhan.

No. 24

Agreement for the Provisional Management of the Chinese Eastern Railway — May 31, 1924

The Republic of China and the Union of Soviet Socialist Republics

mutually recognizing that, inasmuch as the Chinese Eastern Railway was built with capital furnished by the Russian Government and constructed entirely within Chinese territory, the said Railway is a purely commercial enterprise and that, excepting for matters appertaining to its own business operations, all other matters which affect the rights of the Chinese National and Local Governments shall be administered by the Chinese Authorities, have agreed to conclude an Agreement for the Provisional Management of the Railway with a view to carrying on jointly the management of the said Railway until its final settlement at the Conference as provided in Article II. of the Agreement on General Principles for the Settlement of the Questions between the Republic of China and the Union of the Soviet Socialist Republics of May 31, 1924, and have to that end named as their Plenipotentiaries, that is to say:

His Excellency the President of the Republic of China:

Vi Kyuin Wellington Koo.

The Government of the Union of Soviet Socialist Republics:

Lev Mikhailovitch Karakhan.

Who, having communicated to each other their respective full powers, found to be in good and due form, have agreed upon the following Articles:

ARTICLE I.—The Railway shall establish, for discussion and decision of all matters relative to the Chinese Eastern Railway, a Board of Directors to be composed of ten persons, of whom five shall be appointed by the Government of the Republic of China and five by the Government of the Union of Soviet Socialist Republics.

The Government of the Republic of China shall appoint one of the Chinese Directors as President of the Board of Directors, who shall also be the Director-General.

The Government of the Union of Soviet Socialist Republics shall appoint one of the Russian Directors as Vice-President of the Board of Directors, who shall also be the Assistant Director-General.

Seven persons shall constitute a quorum, and all decisions of the Board of Directors shall have the consent of not less than six persons before they can be carried out.

The Director-General and Assistant Director-General shall jointly manage the affairs of the Board of Directors and they shall both sign all the documents of the Board.

In the absence of either the Director-General or the Assistant Director-General, their respective Governments may appoint another Director to officiate as the Director-General or the Assistant Director-General (in the case of the Director-General, by one of the Chinese Directors, and in that of the Assistant Director-General, by one of the Russian Directors).

ARTICLE II.—The Railway shall establish a Board of Auditors to be composed of five persons, namely, two Chinese Auditors, who shall be appointed by the Government of the Republic of China, and three Russian Auditors, who shall be appointed by the Government of the Union of Soviet Socialist Republics.

The Chairman of the Board of Auditors shall be elected from among the Chinese Auditors.

ARTICLE III.—The Railway shall have a Manager, who shall be a national of the Union of Soviet Socialist Republics, and two Assistant Managers, one to be a national of the Republic of China and the other to be a national of the Union of Soviet Socialist Republics.

The said officers shall be appointed by the Board of Directors and such appointments shall be confirmed by their respective Governments.

The rights and duties of the Manager and the Assistant Managers shall be defined by the Board of Directors.

ARTICLE IV.—The Chiefs and Assistant Chiefs of the various Departments of the Railway shall be appointed by the Board of Directors.

If the Chief of Department is a national of the Republic of China, the Assistant Chief of Department shall be a national of the Union of Soviet Socialist Republics, and if the Chief of Department is a national of the Union of Soviet Socialist Republics, the Assistant Chief of Department shall be a national of the Republic of China.

ARTICLE V.—The employment of persons in the various departments of the Railway shall be in accordance with the principle of equal representation between the nationals of the Republics of China and those of the Union of Soviet Socialist Republics.

ARTICLE VI.—With the exception of the estimates and budgets, as provided in Article VII. of the present Agreement, all other matters on which the Board of Directors cannot reach an agreement shall be referred for settlement to the Governments of the Contracting Parties.

ARTICLE VII.—The Board of Directors shall present the estimates and budgets of the Railway to a joint meeting of the Board of Directors and the Board of Auditors for consideration and approval.

ARTICLE VIII.—All the net profits of the Railway shall be held by the Board of Directors and shall not be used pending a final settlement of the question of the present Railway.

ARTICLE IX.—The Board of Directors shall revise as soon as possible the statutes of the Chinese Eastern Railway Company, approved on December 4, 1896, by the Tsarist Government, in accordance with the present Agreement and the Agreement on General Principles for the Settlement of the Questions between the Republic of China and the Union of Soviet Socialist Republics of May 31, 1924, and in any case, not later than six months from the date of the constitution of the Board of Directors.

Pending their revision, the aforesaid statutes, insofar as they do not conflict with present Agreement on General Principles for the Settlement of the Questions between the Republic of China and the Union of Soviet Socialist Republics, and not prejudice the rights of sovereignty of the Republic of China, shall continue to be observed.

ARTICLE X.—The present Agreement shall cease to have effect as soon as the question of the Chinese Eastern Railway is finally settled at the Conference as provided in Article II. of the Agreement on General Principles for the Settlement of the Questions between the Republics of China and the Union of Soviet Socialist Republics of May 31, 1924.

ARTICLE XI.—The present Agreement shall come into effect from the date of signature.

In witness whereof, the respective Plenipotentiaries have signed the present Agreement in duplicate in the English language and have affixed thereto their seals.

Done at the City of Peking this Thirty-First Day of the Fifth Month of the Thirteenth Year of the Republic of China, which is, the Thirty-First Day of May, One Thousand Nine Hundred and Twenty-Four.

(Seal) V. K. Wellington Koo.
(Seal) L. M. Karakhan.

No. 25

Agreement between the Government of the Autonomous Three Eastern Provinces and Soviet Russia — October 8, 1924

(Rosta Service)

Peking, Oct. 7 :—In view of the large amount of interest in the Mukden agreement, the Rosta News Agency is in a position to publish the following text, which is one of the final drafts as co-ordinated by both Parties and signed at Mukden. However, the original signed document has not yet been received at Peking, so that in the text that follows the names of those who signed it as well as some other details have naturally been omitted.

The Government of the Union of Soviet Socialist Republics and the Government of the Autonomous Three Eastern Provinces of the Republic of China, desiring to promote the friendly relations and regulate the questions affecting the interests of both Parties, have agreed to conclude an Agreement between the two Parties, and to that end named as Plenipotentiaries, that is to say :

The Government of the Union of Soviet Socialist Republics :

.....

The Government of the Autonomous Three Eastern Provinces of the Republic of China :

.....

Who, having communicated to each other their respective full powers, found to be in good and due form, have agreed upon the following Articles :

ARTICLE I

The Chinese Eastern Railway

The Governments of the two Contracting Parties agree to settle the question of the Chinese Eastern Railway as hereinafter provided :

(1) The Governments of the two Contracting Parties declare that the Chinese Eastern Railway is a purely commercial enterprise.

The Governments of the two Contracting Parties declare that with the exception of matters pertaining to the business operations which are under the direct control of the Chinese Eastern Railway, all other matters affecting the rights of the National and the Local Governments of the Republic of China, such as judicial matters, matters relating to civil administration, military administration, police, municipal government, taxation and landed property (with the exception of lands required by the Chinese Eastern

Railway itself) shall be administered by the Chinese Authorities.

(2) The time-limit as provided in Article XII. of the Contract for the Construction and Operation of the Chinese Eastern Railway of September 8th, 1896, shall be reduced from eighty to sixty years, at the expiration of which the Government of China shall enter gratis into possession of the said Railway and its appurtenant properties.

Upon the consent of both Contracting Parties, the question of a further reduction of the said time-limit (that is, sixty years) may be discussed.

From the date of signing the present agreement, the Union of Soviet Socialist Republics agrees that China has the right to redeem the Chinese Eastern Railway. At the time of redemption, the two Contracting Parties shall determine what the Chinese Railway had actually cost, and it shall be redeemed by China with Chinese capital at a fair price.

(3) The Government of the Union of Soviet Socialist Republics agrees in a Commission to be organized by the two Contracting Parties to settle the question of the obligations of the Chinese Eastern Railway Company in accordance with Section 4 of Article IX. of the Agreement on General Principles for the Settlement of the Questions between the Union of Soviet Socialist Republics and the Republic of China signed on May 31st, 1924, at Peking.

(4) The Governments of the two Contracting Parties mutually agree that the future of the Chinese Eastern Railway shall be determined by the Union of Soviet Socialist Republics and China to the exclusion of any third party or parties.

(5) The Contract for the Construction and Operation of the Chinese Eastern Railway of August 27th/September 8th, 1896, shall be completely revised, in accordance with the terms specified in this Agreement, by a Commission of the two Contracting Parties in four months from the date of signing the present Agreement. Pending the revision, the rights of the two Governments arising out of this Contract, which do not prejudice China's rights of sovereignty, shall be maintained.

(6) The Railway shall establish, for discussion and decision of all matters relating to the Chinese Eastern Railway, a Board of Directors to be composed of ten persons, of whom five shall be appointed by the Union of Soviet Socialist Republics and five by China.

China shall appoint one of the Chinese Directors as President of the Board of Directors, who shall be ex-officio the Director-General.

The Union of Soviet Socialist Republics shall appoint one of the Russian Directors as Vice-President of the Board of Directors, who shall be ex-officio the Assistant Director-General.

Seven persons shall constitute a quorum, and all decisions of the Board of Directors shall have the consent of not less than six persons before they can be carried out.

The Director-General and the Assistant Director-General shall jointly manage the affairs of the Board of Directors, and they shall jointly sign all the documents of the Board.

In the absence of either the Director-General or the Assistant Director-General, their respective Governments may appoint another Director to officiate as the Director-General or the Assistant Director-General (in the

case of the Director-General, by one of the Chinese Directors, and in that of the Assistant Director-General, by one of the Russian Directors).

(7) The Railway shall establish a Board of Auditors to be composed of five persons, namely, three Russian Auditors, who shall be appointed by the Union of Soviet Socialist Republics, two Chinese Auditors, who shall be appointed by China.

The Chairman of the Board of Auditors shall be elected from among the Chinese Auditors.

(8) The Railway shall have a Manager, who shall be a national of the Union of Soviet Socialist Republics, and two Assistant Managers, one to be a national of the Union of Soviet Socialist Republics, and the other to be a national of the Republic of China.

The said officers shall be appointed by the Board of Directors and such appointments shall be confirmed by their respective Governments.

The rights and duties of the Manager and the Assistant Managers shall be defined by the Board of Directors.

(9) The Chiefs and Assistant Chiefs of the various departments of the Railway shall be appointed by the Board of Directors.

If the Chief of a department is a national of the Union of Soviet Socialist Republics, the Assistant Chief of that department shall be a national of the Republic of China, and if the Chief of a department is a national of the Republic of China, the Assistant Chief of that department shall be a national of the Union of Soviet Socialist Republics.

(10) The employment of persons in the various departments of the Railway shall be in accordance with the principle of equal representation between the nationals of the Union of Soviet Socialist Republics and those of the Republic of China.

(Note:—In carrying out the principle of equal representation, the normal course of life and activities of the Railway shall in no case be interrupted or injured, that is to say, the employment of the people of both nationalities shall be based in accordance with experience, personal qualifications and fitness of the applicants.)

(11) With the exception of the estimates and budgets as provided in Section XII. of Article I. of the present agreement, all other matters on which the Board of Directors cannot reach an agreement, shall be referred to the Governments of the Contracting Parties for a just and amicable settlement.

(12) The Board of Directors shall present the estimates and budgets of the Railway to a joint meeting of the Board of Directors and the Board of Auditors for consideration and approval.

(13) All the net profits of the Railway shall be held by the Board of Directors and shall not be used pending a final settlement, in a joint Commission, of the question of its distribution between the two Contracting Parties.

(14) The Board of Directors shall make a complete revision, as soon as possible, of the statutes of the Chinese Eastern Railway Company approved on December 4th, 1896, by the Tsarist Government in accordance with the present Agreement and not later than four months from the date of the constitution of the Board of Directors.

Pending their revision, the aforesaid statutes, insofar as they do not conflict with the present Agreement and do not prejudice the rights of sovereignty of the Republic of China, shall continue to be observed.

(15) As soon as the conditions of the redemption by China of the Chinese Eastern Railway are settled by both Contracting Parties, or as soon as the Railway reverts to China upon the expiration of the time-limit as stipulated in Section II. of Article I. of the present Agreement, all parts of this Agreement concerning the same shall cease to have effect.

ARTICLE II

Navigation

The Governments of the two Contracting Parties agree to settle, on the basis of equality, reciprocity and the respect of each other's sovereignty, the question relating to the navigation of all kinds of their vessels on those parts of the rivers, lakes, and other bodies of water, which are common to their respective borders, the details of this question to be regulated in a Commission of the two Contracting Parties within two months from the date of signing the present Agreement.

In view of the extensive freight and passenger interests of the Union of Soviet Socialist Republics on the River Sungari up to and including Harbin, and the extensive freight and passenger interests of China on the lower Amur River into the sea, both Contracting Parties agree, on the basis of equality and reciprocity, to take up the question of securing the said interests in the said Commission.

ARTICLE III

Boundaries

The Governments of the two Contracting Parties agree to redemarcate their boundaries through a Commission to be organized by both Parties, and, pending such redemarcation, to maintain the present boundaries.

ARTICLE IV

Tariff and Trade Agreement

The Governments of the two Contracting Parties agree to draw up a Customs Tariff and conclude a Commercial Treaty in a Commission to be organized by the said Parties on the basis of equality and reciprocity.

ARTICLE V

Propaganda

The Governments of the two Contracting Parties mutually pledge themselves not to permit within their respective territories the existence and/or activities of any organizations or groups whose aim is to struggle by acts of violence against Government of either Contracting Party.

The Governments of the two Contracting Parties further pledge themselves not to engage in propaganda directed against the political and social systems of either Contracting Party.

ARTICLE VI

Commissions

The Commissions as provided in the Articles of this Agreement shall commence their work within one month from the date of signing this Agreement, and shall complete their work as soon as possible and not later than six months. This does not apply to those Commissions whose time-limits have been specified in the respective Articles of this Agreement.

ARTICLE VII

The present Agreement shall come into effect from the date of signature. In witness whereof the respective Plenipotentiaries have signed the present Agreement in duplicate in the Russian, Chinese and English languages, and have affixed thereto their seals.

In case of dispute, the English text shall be accepted as the standard.

Done at the City of Mukden this ..... Day of ..... One Thousand Nine Hundred and Twenty-four, which is the ..... Day of the ..... Month of the Thirteenth Year of the Republic of China.

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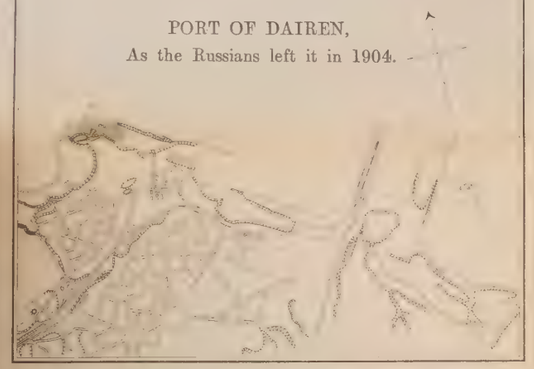
PORT OF DAIREN,
As the Russians left it in 1904.



January-December, 1927

Ports			Dairen	Shanghai	Kobe	San Francisco
Steamers	Arrived	Number	3,599	8,453	4,134	7,045
		Net Tonnage	5,782,296	14,941,963	13,124,749	16,876,841
	Cleared	Number	3,566	13,061	4,111	7,135
		Net Tonnage	5,782,721	15,209,690	13,651,014	16,554,456
Cargo	Imports		(Hk. Tls.) 143,847,870	(Hk. Tls.) 803,671,827	(Yen) 966,191,774	$ 200,004,238
	Exports		(Hk. Tls.) 218,924,385	(Hk. Tls.) 852,676,475	(Yen) 705,727,628	$ 174,555,736
Passengers	In-coming		483,460			36,443
	Out-going		208,871			35,021

PORT OF DAIREN

DEC., 1926. SCALE 1:6,000.

NORTH BREAK WATER

NORTH ENTRANCE

EAST ENTRANCE

WEST BREAK WATER

EAST BREAK WATER

WEST ENTRANCE

TEMPORARY MOLE

BOAT BASIN

BLOCK LOADING PIER

BLOCK YARD

CAISSON DOCK

MANSHU DOCK

HAMACHO WHARF

LIGHT POST FR L.T.

4TH WHARF

RECLAMATION PROGRESS

3RD WHARF

2ND WHARF

1ST WHARF

C WHARF

B WHARF

A WHARF

WAITING ROOM

COAL SHIPPING PLANT

No.1

No.2

No.3

SECOND
REPORT ON PROGRESS IN MANCHURIA TO 1930

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THE SOUTH MANCHURIA RAILWAY.
DAIREN, APRIL, 1931

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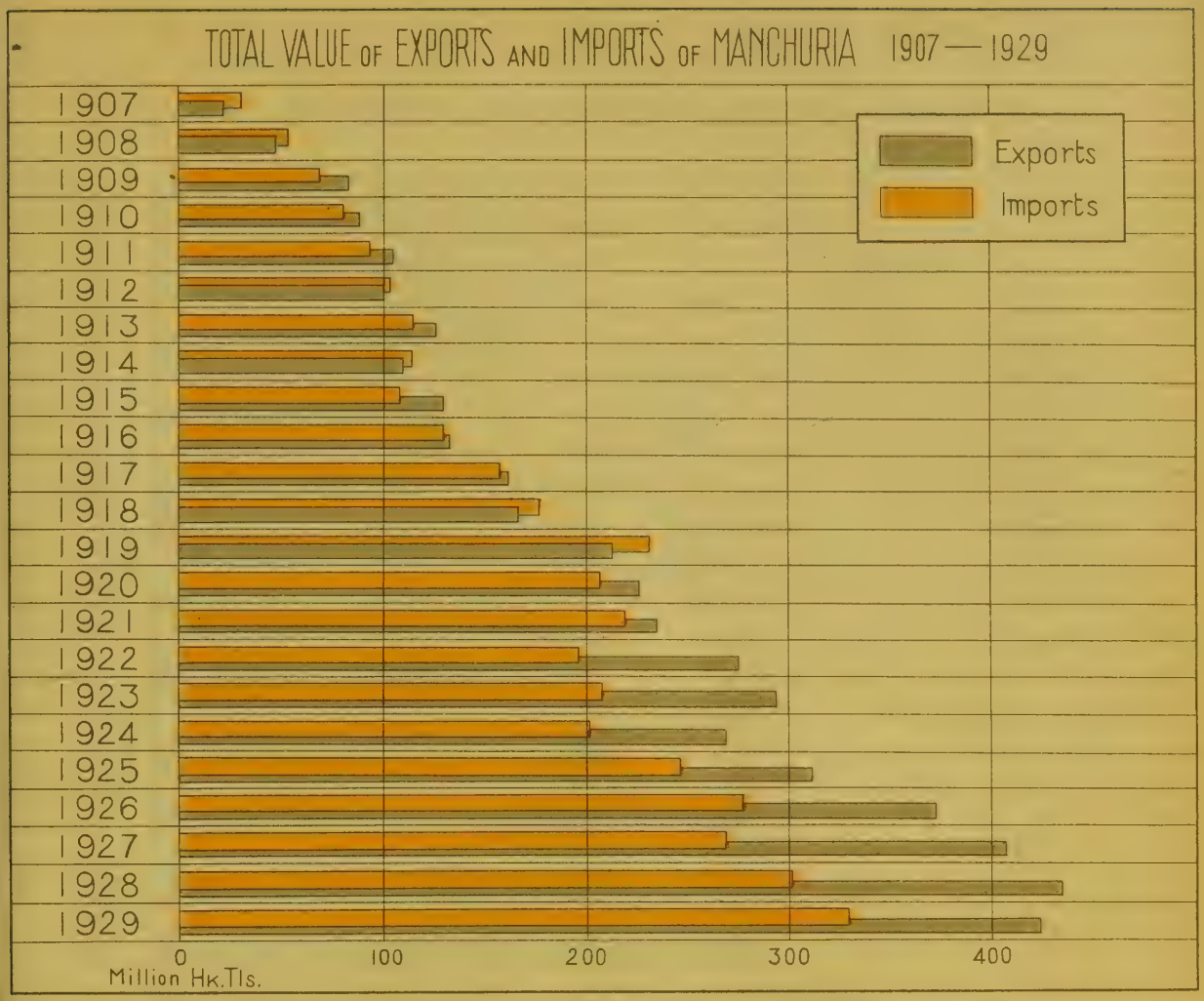
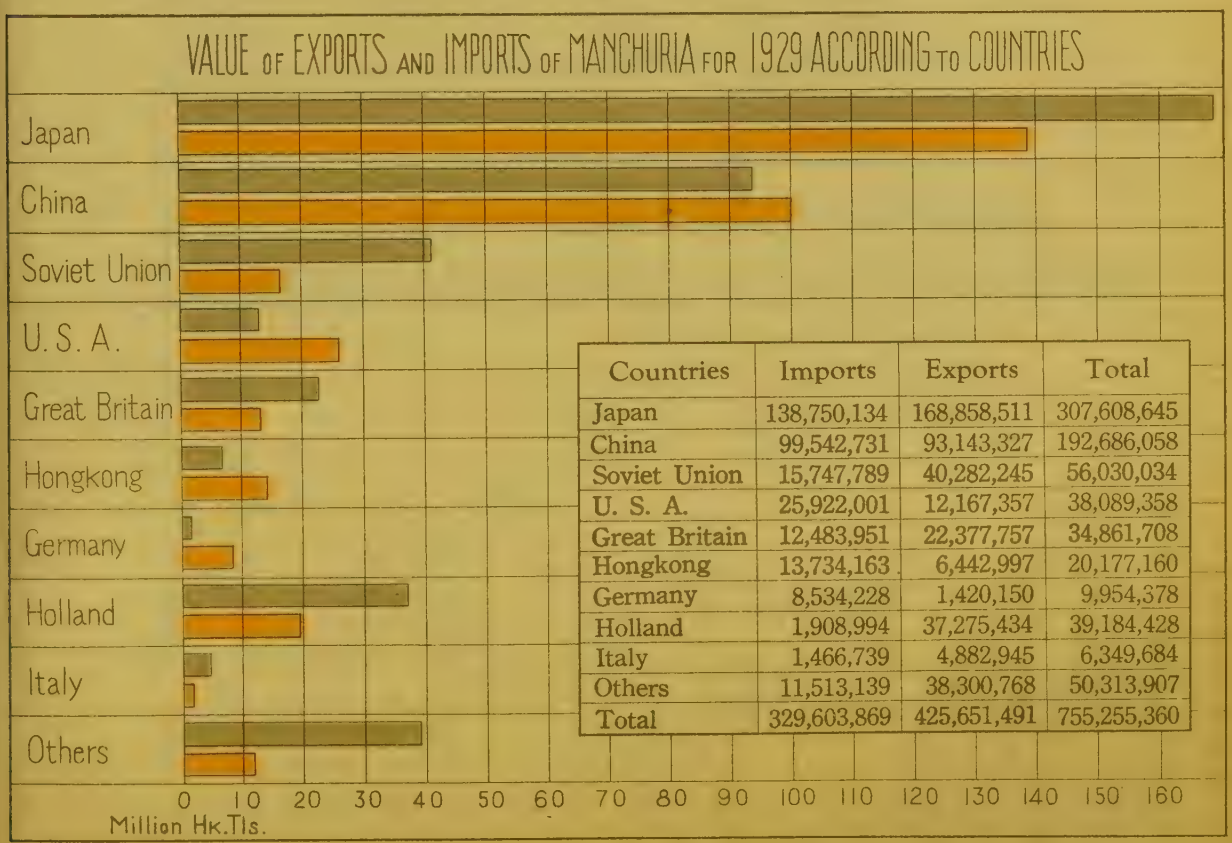
MAP OF MANCHURIA

SCALE: 1 – 6300,000

The general map of Manchuria prepared on the basis of a map compiled by the C E.R.

SOUTH MANCHURIA RAILWAY COMPANY





Countries	Imports	Exports	Total
Japan	138,750,134	168,858,511	307,608,645
China	99,542,731	93,143,327	192,686,058
Soviet Union	15,747,789	40,282,245	56,030,034
U. S. A.	25,922,001	12,167,357	38,089,358
Great Britain	12,483,951	22,377,757	34,861,708
Hongkong	13,734,163	6,442,997	20,177,160
Germany	8,534,228	1,420,150	9,954,378
Holland	1,908,994	37,275,434	39,184,428
Italy	1,466,739	4,882,945	6,349,684
Others	11,513,139	38,300,768	50,313,907
Total	329,603,869	425,651,491	755,255,360

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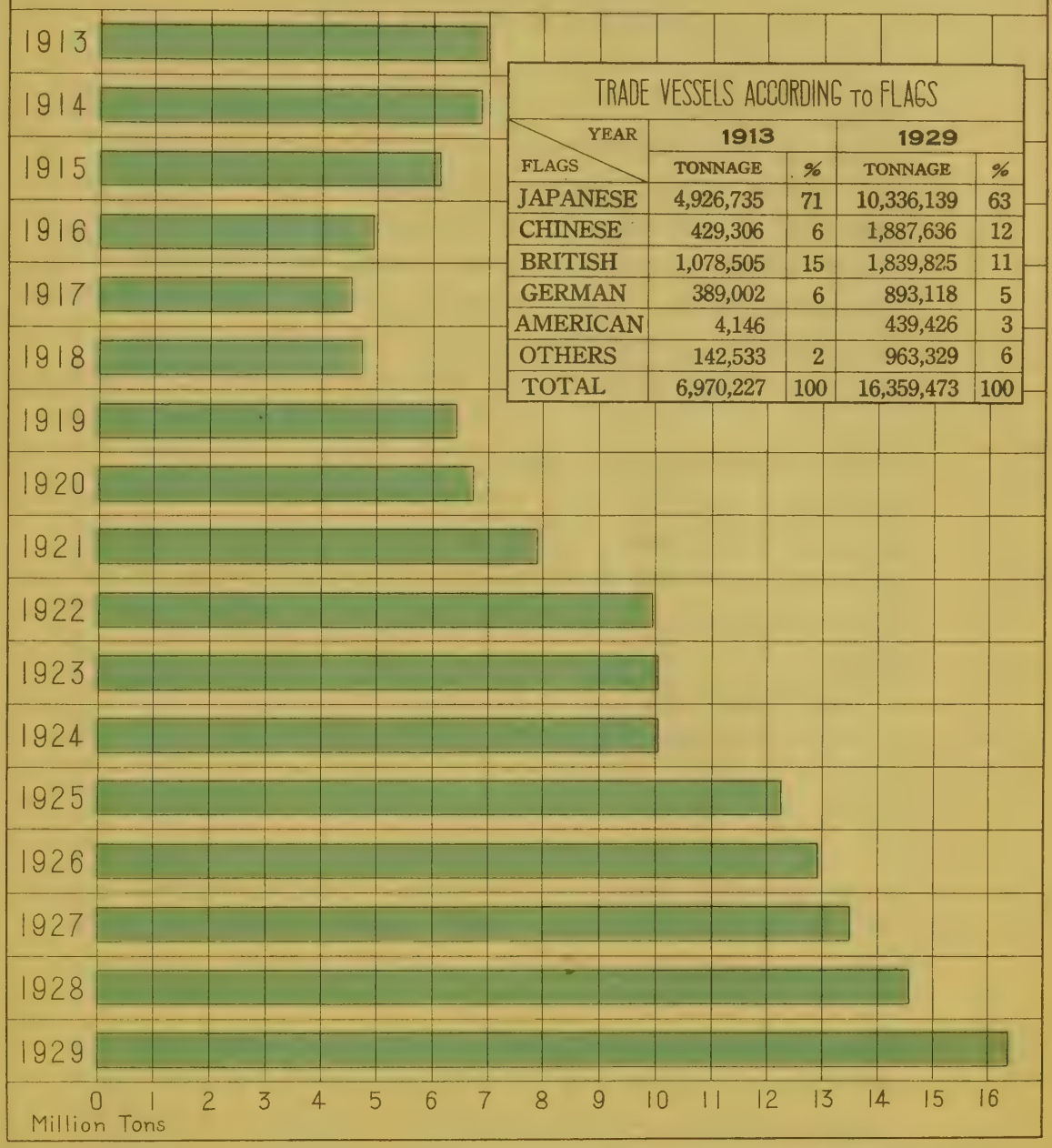
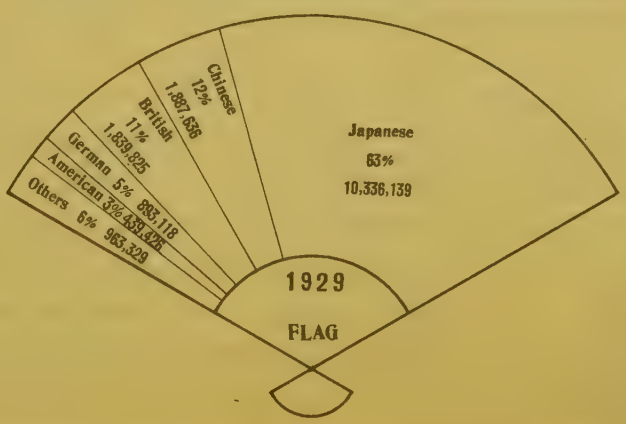
TONNAGE OF TRADE VESSELS AT THE THREE PORTS IN MANCHURIA 1913—1929



TRADE VESSELS ACCORDING TO FLAGS

YEAR / FLAGS	1913 TONNAGE	1913 %	1929 TONNAGE	1929 %
JAPANESE	4,926,735	71	10,336,139	63
CHINESE	429,306	6	1,887,636	12
BRITISH	1,078,505	15	1,839,825	11
GERMAN	389,002	6	893,118	5
AMERICAN	4,146		439,426	3
OTHERS	142,533	2	963,329	6
TOTAL	6,970,227	100	16,359,473	100



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INTRODUCTION

In the previous Report it was stated that the development and progress materially and morally effected in Manchuria during the two decades after the Russo-Japanese War proceeded steadily, with peace and order fairly well maintained in this region. The untoward Russo-Chinese dispute respecting the Chinese Eastern Railway in 1929, though it caused a suspension of part of the world communication connecting East Asia and Europe for six months, and produced disturbances along this line, hardly affected the trade and agriculture of Manchuria as a whole.

Manchuria

Although the southern coalition armies of the Kuomintang — headed by General Chiang Kai-shek, Marshal Feng Yu-hsiang, General Yen Hsi-shan, and others — finally succeeded in June, 1928 in their last campaign against Marshal Chang Tso-lin, the Commander-in-Chief of the Military Government established at Peking, by capturing Peking and Tientsin, the coalition leaders themselves in the following year engaged in political and military strife which lasted until September, 1930. Manchuria, fortunately, not being involved in these civil wars (1929–30), continued its normal course in economic growth, but was not exempt from the influence of the world-wide economic depression which marked the year 1930 and may continue for some time yet.

Manchuria lies in the northeastern extremity of the Republic of China, and parts of Russian Siberia and Japanese Korea form its northeastern boundary. Its area, covering about 382,000 square miles, is almost the same as that of Egypt, or the aggregate area of Texas and New Mexico in the United States; it is almost half the size of Mexico, or more than three times the size of Japan proper. The population of Manchuria in 1929 was variously estimated at from 25,000,000 to 29,000,000. It is now steadily increasing, owing to the constant inflow of Chinese immigrants. The natural resources of Manchuria, in contrast with those of other parts of China, are generous, especially its agricultural, mineral, and forestry wealth. The arable land, covering about twenty-five per cent. of the total area, is of fertile soil, and many areas are still virgin, especially in North Manchuria, and awaiting development. Manchuria was in fact a "Forbidden Land" for many generations, not only to the world at large, but more particularly to the Chinese themselves. It was much of a *terra incognita* as recently as thirty years ago.

The name of Manchuria became known to the world largely as a battlefield. The Sino-Japanese war of 1894–5 and the Russo-Japanese war of 1904–5, were fought in Manchuria. After the Sino-Japanese war, the Russians opened up portions of Manchuria by the construction of the Chinese Eastern Railway. But a section of it fell to the Japanese after the Russo-Japanese war, and in Japanese hands it has proved a great factor in transforming Manchuria into a land of opportunity for the world at large, in co-operation to a greater or less extent with China, Russia, and other countries. In recent years, it has stimulated the Chinese to new activities, especially in the projecting of railway construction and the development of agriculture.

Peace and Order

In the Russo-Japanese war, the Russian Pacific Fleet together with the Baltic Fleet was practically annihilated. Subsequently, most of the main squadrons of the other European Powers were withdrawn from Oriental waters and concentrated in the North Sea and Mediterranean. After the Russo-Japanese war, a period of tranquillity set in throughout the Far East. As regards Manchuria, enduring peace and order were maintained for almost a quarter of a century except for sporadic outbreaks, while revolutions, civil wars, or other political disturbances were unfortunately as frequent in China proper, after the establishment of the Republican *régime*, as at any time in the past. Indeed, Manchuria was the only region in the whole vast area of China which offered the benefits of peace and order to the calamity-stricken people of Shantung, Chihli, and Honan, who were driven out by the famine, warfare, and extortionate taxation which prevailed especially during the civil war of 1926–8, and again during the frequent civil wars of 1929–30. Order in Manchuria has thus been preserved since the Russo-Japanese war, without serious interruption, despite the frequent forays of Manchurian bandits upon isolated settlements. This has been achieved partly with the aid of the Japanese troops, which, though stationed in the limited areas of the Leased Territory and the Railway Zone, exercised a moral weight in the preservation of order in Manchuria in general, while the military authorities of the Three Eastern Provinces also played an important part in the maintenance of peaceful conditions. The railway guard of the Chinese Eastern Railway, one of the important factors in the maintenance of peace in North Manchuria, were formerly Russians, who were replaced by the Chinese in 1920. According to the annual report of this Railway, it pays to the Chinese guards each year from 3,500,000 to 4,100,000 roubles, which expenditure is recorded under the head of "Subsidies to Chinese

Government institutions." Her participation in the maintenance of order in Manchuria is costly to Japan. Though the number of railway guards is reduced to less than that allowed by treaty, Japan still has to spend more than 20,000,000 yen a year on soldiers and police in the Railway Zone and Leased Territory. And, in times of crisis, whenever civil war or other disturbance has threatened the peace and order of Manchuria, in a manner calculated to affect Japanese life and property, the military expenditure has increased. The maintenance of peace and order in Manchuria is vitally important, particularly to Japan, whose investments in the territory amount to more than 2,000,000,000 yen; the territory is increasingly becoming the chief granary and source of raw material for Japanese industries. Furthermore, 1,000,000 Japanese subjects, including 760,000 Koreans, have their homes in Manchuria to-day. Japan has thus vital relations with Manchuria. In a broader sense, historically and politically, Japan wishes to prevent any repetition of the bitter experience of the past — any disturbance of Manchuria which would affect the security of Korea and Japan, and ultimately the general peace of the Far East.

Railways

The railways of Manchuria have played a most important part in its development, as they do elsewhere. More than 3,700 miles of railway have been built in this region since 1897, while little over 5,200 miles have been built in the vast territory of China proper since 1877. Of the total mileage in Manchuria, China owns more than half, Russia 1,070 miles, and Japan about 700 miles. The Chinese railways, though aggregating a greater mileage than the Japanese or Russian, are mostly financed by foreign, especially by Japanese, capital; while the Manchurian section of the Peking-Mukden line, between Mukden and Shanhaikwan, with branch lines, was built with British capital. Until quite recently, agricultural crops were transported by means of the inadequate waterways, and by the primitive Manchurian cart, but the railways are to-day carrying every year larger numbers of immigrants and greater quantities of agricultural products and other staples. Especially the South Manchuria Railway, running through the heart of South Manchuria, with a terminal at the highly improved port of Dairen, and connecting with the railways running to China proper, Korea, and westwards to Europe, is playing the most significant part in the remarkable growth of the agricultural produce and in the stupendous development of the international trade of Manchuria. The activities of the South Manchuria Railway Company in coal and iron mining and other industries are not only augmenting the supply of

agricultural and mineral products, but are also providing employment for hundreds of thousands of Chinese, who have been attracted to Manchuria from the neighbouring provinces, chiefly from Shantung.

The Russian-owned Chinese Eastern Railway, which is now operated under Sino-Soviet joint management, traversing the heart of North Manchuria, with its terminal at Vladivostok, not only constitutes a section of the world route to Europe, but is the chief factor in the development of North Manchuria where immense areas of virgin lands await exploitation. During the last several years the Chinese themselves have assumed the initiative in building railways, by extending the Peiping-Mukden line toward the Kirin, Jehol and Amur Provinces. Also, several lines in the Amur province, north of the Chinese Eastern line, have been constructed or are projected for the exploitation of the virgin lands in the North. Construction work at Hulutao Harbour was commenced in July, 1930, this port being intended as a terminal of the newly — projected lines ramifying to the Mukden, Kirin, Amur and Jehol Provinces. After the completion of this harbour construction, Chinese-owned railways would play an important part in developing Manchuria.

Growth of Production

As recorded in the last Report, the railways being gradually developed, and peace and order being maintained, agricultural, mineral, forestry and other industrial developments have made steady progress, greatly aided by ample supplies of labour, due to the constant inflow of Chinese coolie immigrants and ready capital, mainly Japanese. In 1915, the estimated production of soya beans, kaoliang (a sort of sorghum), millet, wheat, barley, oats, rice, etc., amounted to 404,500,000 bushels. Fourteen years later, in 1929, these crops were estimated at over 876,000,000 bushels. The soya bean, to-day commanding a world-market, and kaoliang, used as the staple food of the native population and also as cattle fodder, are the most important among agricultural products. The production of soya beans, amounting at present to about 221,000,000 bushels, or 5,300,000 tons, annually, has doubled during the last fourteen years, while the production of kaoliang, amounting to 217,000,000 bushels, has also increased. The commercial importance of the soya bean and its products — oil and cake — has made Manchuria famous. They are so predominant that they now constitute more than 60 per cent. in value of the entire export trade of Manchuria. Of 4,721,000 tons of beans and bean products exported in 1929, more than 41% went to Japan, about 44% to Europe, 13% to China, and the rest to the United States and other countries.

Next to beans, millet is now the most important crop, producing 171,000,000 bushels every year, of which about 13,000,000 bushels were exported exclusively to Korea in 1929. Korea, notwithstanding a deficient rice supply, exports rice to Japan proper to the amount of 31,000,000 bushels, and imports Manchurian millet and the cheaper grade of Indo-China rice as a substitute for the rice deficit. As the Manchurian bean and beancake, imported to Japan as foodstuff and fertilizer, are to-day assisting in the solution of the national food question in Japan, Manchurian millet affords the same service to Korea.

Expansion of Trade

The external trade of Manchuria remained insignificant for many years, as the region was undeveloped and Newchwang was the only Manchurian port opened to trade. But the Russo-Japanese war, which marked a new epoch for Manchuria, inaugurated a most radical change in the tradal situation, particularly after the opening of the port of Dairen. Prior to the war, Japan and the United States took the initiative in opening additional ports in Manchuria, such as Antung and Mukden. Japan secured from China by formal agreement her consent to the opening of 24 places in Manchuria, including Harbin, Manchouli, Aigun, Suifenho, Liaoyang, and others. China, after first opening Antung on March 1, 1907, formally opened nine other important towns, including Harbin, Mukden, and Manchouli, by 1911. In July, 1907, Dairen, in the Leased Territory, was opened by Japan as a free port. In the year Dairen was opened, the total trade of Manchuria was valued at 52,000,000 Hk. Tls.,* i. e., 6 per cent. of the total trade of China. In 1929, this was increased to over 755,000,000 Tls., i. e., 20 per cent. of China's total trade.† Of this amount, 508,000,000 Tls. belongs to Dairen. That is to say, the trade of Manchuria itself expanded more than sixteen times in the last 23 years, and Dairen's share amounted to more than 66% of Manchuria's total trade. Manchuria has one particularly bright aspect in its trade in that it maintains an excess of exports over imports in most years, contrary to the trade in China proper, where imports have invariably exceeded exports, as in Japan and Korea.

Of the total exports for 1929, amounting to 425,000,000 Tls., Manchurian beans and derivatives constituted more than a half, or 255,000,000 Tls. As already stated, Japan is the heaviest purchaser of these products. European countries bought over 44 per cent., and there is a strong

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* Haikwan Taels.

† Total trade including domestic trade of China.

upward tendency in the overseas markets in the supply of chemical industries and cattle-fodder.

Regarding the import trade of Manchuria, cotton goods are still the most important item. The total imports for 1929 aggregated 329,000,000 Tls., of which 80,000,000 Tls. represented the proportion of cotton goods, including yarn. Of the cotton imports, Japan's share was about 60% and China's share 33%. When Newchwang was the only open port in Manchuria, England maintained a virtual monopoly of the import of cotton goods, and later the United States attained the leadership in this trade. Japanese cotton goods were first imported several years before the Russo-Japanese war, but to a negligible amount. The Japanese industry in those days was not in a position to compete with either British, American, or Indian mills. Japan's strenuous but constant efforts to develop this industry, especially after the Russo-Japanese war, were gradually crowned with success. Moreover, Japan's geographical position, and her ability to produce a much cheaper staple by mixing raw materials of the American higher grades with others of Indian and Chinese lower grades, ultimately secured the market. Before the outbreak of the European war, the imports of cotton goods, except of the best qualities, were almost wholly supplied by Japan. The war temporarily crippled the cotton mills in Western countries and also carriage by sea, and at this period Japan enjoyed complete supremacy in this trade in Manchuria. After the war, goods manufactured in China proper gradually increased in quantity, and they now represent 33%, next to those of Japan, as already stated.

It must be remembered, however, that the increased importation of Japanese cotton goods into Manchuria means that the Japanese mills must buy more raw cotton from America, India, and China. Nor does the falling-off in the imports of British and American cotton goods affect adversely the total of their imports into Manchuria. On the contrary, the trade of both Britain and the United States has increased in other departments. Imports of machinery, other iron manufactures, oil, woolen goods, flour, etc. from America and Europe have steadily increased. Since the South Manchuria Railway Company entered the field, there has been a steady demand for supplies of iron manufactures for railways, mines, iron works, and other industrial undertakings, and in recent years for Chinese railway construction. Imports from the United States, including the Philippines, amounted to 6,775,000 Tls. in 1908, and increased to 25,600,000 Tls. in 1929; while those from Great Britain and dependencies increased from 2,693,000 to 26,200,000 Tls. during the same period. German imports increased from 150,905

to 8,500,000 Tls. Moreover, the foregoing probably do not represent the total figures; they are the Customs returns, which do not include goods shipped to Japanese ports and Shanghai and thence re-shipped to Manchurian ports.

In the trade of Manchuria, as a whole, Japan still maintains the supremacy gained in imports as well as in exports, but she purchases more than she sells. While American and European trade in Manchuria also markedly increased during the last two decades, those continents sold more than they bought, with the exception of Denmark, Holland, and Italy, which are large buyers of soya beans. Manchurian trade with China proper has steadily grown since the European war.

Chinese the Chief Beneficiaries

Historically, politically, and economically, Manchuria, within whose borders the sovereign rights of China are scrupulously observed, is internationally concerned more particularly with Japan and Russia. Yet the Chinese themselves are the chief beneficiaries, so long as peace and order are maintained and the development of the country continues. Manchuria was liberated from Russian military control after several years of actual occupation by the forces of the Czar, and outside the leased territory and the railway zones, administrative unity was restored to China. Ever since, order in Manchuria has been preserved without serious interruption. While the population of the central areas of China suffers from frequent disturbances, the Chinese in Manchuria enjoy the benefits of peace and prosperity. As already stated, an extensive railway system has been constructed which has proved a very important factor in the development of the country. This not only conveys Chinese travellers and immigrants with safety, but transports the farmers' harvests to the expectant markets. The South Manchuria Railway Company in its various undertakings (railway, harbour, mining, etc.), employs about 20,000 Japanese, including officials and engineers, and about 13,000 regular Chinese employees. In addition, some sixty thousand Chinese coolie day-labourers receive wages from the Company to the amount of from five and a half to six million yen a year. While the Company paid 30,000,000 yen to share-holders as dividends in the fiscal year ending March 31, 1930, the aggregate amount of wages paid was 28,800,000 yen, of which 25 per cent. went to the Chinese employees. Probably ten or twenty per cent. of the earnings of the Japanese employees might be sent to Japan for the support of their families, but the remainder of their earnings is practically spent in Manchuria, and the bulk of it goes into Chinese pockets. The Chinese labourers employed by the South Manchuria Railway

and its affiliated corporations are enjoying far better wages and conditions of living than those engaged by native firms or undertakings. Along with the extension of railways and the development of the country, the products of Manchuria have been stupendously increased in the last quarter of a century, which have converted Manchuria into an exporting country. The result of these combined advantages is seen in a marked improvement in the standard of living of the Chinese. Before the Russo-Japanese war, bean oil was generally used for lighting purposes, and sugar was regarded as a luxury or a medicine. But, in recent years, the imports of sugar and petroleum have increased year by year. The women-folk in bygone days wore heavy imported cotton piece-goods, weighing 17–8 pounds per bolt, but now the weight of such goods has been reduced to 12–3 pounds, which is significant of the improvement in the general condition of living.

More Co-operation Needed

As noted already, Manchuria, though the object of much international attention, has none the less made marked progress during the last quarter of a century. Should China, more particularly the authorities of the Three Eastern Provinces, and the foreign Powers concerned, especially Japan and Russia, co-operate more fully in the development of Manchuria, instead of prejudicing their respective interests by international jealousies and cut-throat competition, or by incurring occasional boycotts by the Chinese, which have been productive of so much harm to all in the past, it would promote the respective interests of every nation concerned, and would improve the moral and material well-being of the Chinese people.

After the war with Russia, Japan, in the development of her acquired interests in Manchuria, upheld the principle of equal opportunity for all nations and endeavoured to work in the spirit of co-operation and conciliation, particularly in her dealings with China and Russia. She opened in 1907 the port of Dairen in the Leased Territory as a port free to all nations. When the South Manchuria Railway Company was about to be formed in 1906, Japan invited the Chinese Government and private individuals to take over any part of the stock offered for public subscription. But the offer was ignored, and China thus lost an opportunity of participating in what it was expected would be a profitable undertaking. Fortunately, a number of Sino-Japanese joint undertakings in iron and coal mines, the lumber industry, water-works and electric plants, railways, etc., were formed subsequently. International traffic being an important aspect of the work of the South Manchuria Railway, the Company made constant

efforts to establish international through traffic, particularly in co-operation with the railways of China and Russia. When the late Count Goto, the first President of the Company, went in May, 1908, to Petrograd on a visit of courtesy, he took the initiative in arranging for direct through traffic between the South Manchuria Railway and the Chinese Eastern Railway, which connects with the Russian line to Europe. When the reconstruction of the Antung-Mukden line was completed in 1911, an arrangement for international through traffic for passengers and freight between the South Manchuria Railway and the Peking-Mukden Railway of China was made. At intervals since then, the so-called Interlines Conferences between China and Japan and Russia have been held, and much benefit has been derived by all parties from these meetings.

In the development of Manchuria, the co-operation of foreign skill and capital has played an important part. Most of the railways were built by foreign Powers or with the co-operation of foreign capital. During the period of reconstruction and improvement of the South Manchuria Railway, the Company on several occasions issued debentures, aggregating £14,000,000, on the London market, and purchased rails, locomotives, and other rolling stock in large quantities in the United States. The Russians built the Chinese Eastern Railway mostly with French and Belgian capital, while the Manchurian section of the Peking-Mukden line of China was built principally with a British loan amounting to £2,300,000. Several Chinese lines in Manchuria were built with Japanese capital. Japan, though she may object to lines being built parallel to or in other ways seriously prejudicial to the interests of the South Manchuria Railway, is quite willing to invite foreign capital to participate in the development of Manchuria. The Japanese Government formerly held the preferential right to make loans for railway construction in South Manchuria and Eastern Inner Mongolia, and also for other purposes in these regions, but Japan voluntarily renounced certain parts of this preferential right in a statement made at the Washington Conference, and threw the field open to the joint activities of the International Consortium. In the fall of 1930, it was often reported that the Chinese authorities were planning the construction of a railway net in Manchuria, the project being to build about thirty railway lines to converge on the new Hulutao Harbour, which if accomplished would virtually ruin the South Manchuria Railway, some of the contemplated lines being parallel to the premier line, while in one or two instances, the South Manchuria Railway is sandwiched in between. While questions relating to railways and other matters in Manchuria are still pending

between Japan and China, the news naturally created a certain sensation in Japan. Baron Shidehara, in his capacity of Minister for Foreign Affairs, delivered a speech in the Imperial Diet on January 22, 1931, in which he referred to the relations of Japan with China as follows:

> Japan and China have built up their existing close and complex relations, in the political and economic spheres, with an historical background extending over a considerable number of years,

and emphasized the need of mutual co-operation by saying:

> Only by mutual co-operation in an endeavour to discover the true bases of their common welfare combined with a generous and sympathetic understanding of each other's point of view, can all issues between the two nations be satisfactorily set at rest and the true interests of both parties promoted.

Finally, regarding the pending questions relating to the railways in Manchuria, the Foreign Minister concluded as follows:

> We now propose to exert every endeavour to settle them on the lines indicated. It is needless for me to repeat that we have no intention of seeking anything like unfair and selfish terms of settlement in disregard of China's legitimate position. Nor can it be believed that China, on her part, harbours a design to reduce the South Manchuria Railway to ruin. Such a scheme, if ever it were contemplated, would hardly be capable of ultimate realization.

The present Report, as the former Report, though describing as succinctly as possible the geographical features of Manchuria and the country's history, chiefly referring to its international relations, as the necessary background, is intended to deal more in detail with the material and moral progress effected during the last quarter of a century. It is, however, a matter of regret that statistical records of phases of Chinese and Russian activities are not as readily accessible as those relating to Japanese activities.

I GEOGRAPHICAL AND ADMINISTRATIVE FEATURES

1 Situation and Climate

Manchuria lies at the north-eastern extremity of the Chinese Republic. Its area is some 382,000 square miles; that is, about the same as that of Egypt, including the Libyan Desert, or half that of Mexico. While the name, "Manchuria," is familiar to foreigners, it is called by the Chinese "Tung-san-hsing," or "Three Eastern Provinces" since it comprises the three provinces of Amur (Heilungkiang), Kirin, and Mukden (Fengtien). The terms "North" and "South" Manchuria are often mentioned in the newspapers and other publications, but no clear demarcation between the two has been made. Russia first used these terms in a treaty document, namely, in Article III of the Supplemental Agreements between China and Russia, of July, 1898, re the Chinese Eastern Railway. The terms are frequently used in the Sino-Japanese Treaty of May, 1915. So far as transportation facilities are concerned, it is much safer to say that South Manchuria is the territory served by the South Manchuria Railway, and North Manchuria that by the Chinese Eastern Railway.

Manchuria extends between lat. 38°43′ and 53°30′ North, and long. 117°50′ and 135°20′ East. It is bordered on the north by Siberia, the Amur River being a natural boundary. Its eastern boundary, between the Maritime Province of Siberia and Korea, is marked by the Ussuri, Tumen, and Yalu Rivers. On the west, its borders touch Outer Mongolia, Eastern Inner Mongolia and China proper. Finally, in the south, Manchuria is washed by the waters of the Yellow Sea and the Gulf of Pechihli. The coast line of Manchuria from the mouth of the Yalu River in the east to Shanhaikwan measures 855 nautical miles, or 976 geographical miles.

Manchuria is traversed from north to south by two large mountain ranges — the Khingans, Great and Little, in the north-western section, and the Changpai mountains near the south-eastern boundary. Between these extensive valleys, containing the most fertile lands of Manchuria, stretch in a south-westerly direction towards Eastern Inner Mongolia and the Gulf of Pechihli. The mountainous regions are rich in timber and minerals, especially coal. Several great rivers with many tributaries, running through the valleys between the mountain ranges, serve not

only to irrigate the regions through which they pass, but also as routes for navigation. They are the Amur, Sungari, Ussuri, Yalu, Tumen, and Liao Rivers. Though frozen in winter, each of these waterways plays an important part in the commercial traffic during other seasons, this having been the case especially before the present extensive railway communications came into existence.

The climate in Manchuria is more continental than that of Japan, Korea, France, England, or Germany, though Manchuria lies practically within the same zones as the northern latitudes of these countries. It is less affected by ocean currents, but is greatly influenced by the proximity of the Mongolian desert. Manchuria is naturally much drier than Japan or Korea, and has long severe winters and short hot summers. The spring season is windy, terrific winds occasionally coming from the Mongolian plain. These are called by the Chinese "Huang-tu," or "Yellow dust" in literal translation. The following table shows the temperatures of the four seasons of the year 1929, in centigrade, in various localities:

Locality	January	April	July	October
Dairen	− 5.9°	9.1°	24.2°	13.5°
Mukden	−12.6°	8.2°	24.9°	9.1°
Newchwang	− 9.8°	8.4°	25.0°	10.6°
Changchun	−17.6°	5.7°	23.8°	7.0°
Harbin	−21.0°	5.1°	23.6°	6.0°

2 Area and Population

The taking of a census or cadastre survey after the methods adopted by modern nations has not been attempted as yet in Manchuria, except in the Japanese Leased Territory and Railway Zone, and naturally estimates of area and population of Manchuria have varied in some degree. This is especially the case with regard to population, changes in which have become significant owing to the recent heavy migration from the South. The Research Office of the South Manchuria Railway Company gives the following estimates as to area, population, and density of population in Manchuria according to provinces:

		December 31, 1929.	
Province	Area in sq. miles	Population	Pop. per sq. mile
Mukden	90,224	14,988,560	166
Kirin	81,018	9,075,630	112
Amur	211,385	5,133,730	24
Total	382,627	29,197,920	Av. 76

In addition, the Jehol Special District, the eastern division of Inner Mongolia, which was under the influence of the Manchurian authorities,

Dwelling of Native Mongolian called "Pao"

Dwelling of Native Manchu

Chinese Family Group in Manchuria

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has been converted into Jehol Province. Including this new province and the three provinces above-mentioned, Manchuria may today be called the "Four North-Eastern Provinces." The area of Jehol Province is estimated at about 60,000 square miles, and its population about 4,500,000.

Although the indigenous peoples of Manchuria are the Manchu and Mongolian, ninety per cent. of the present population of 29,000,000 are Chinese. The population in 1907 was estimated at from sixteen to twenty-two millions. The increase is in great measure due to the constant inflow of Chinese immigrants, especially the most extraordinary movement of refugees in recent years. The average population per square mile in Manchuria is 76, or about the same as in European Russia, and considerably greater than that of the United States as a whole, which was recently placed at 35.5. But, in comparison to Japan, in which the average per square mile is 421, Manchuria is thinly peopled.

The alien population of Manchuria includes 768,280 Koreans, 240,108 Japanese, 140,554 Russians, and 529 British, 384 German, 322 French, 290 American, and 1,733 other nationals, according to estimates made in 1929.

3 Immigration

Many centuries ago, Chinese and Koreans migrated to Manchuria. Especially after the Mings drove out the great Mongol ruler in 1368 and occupied the southern part of Manchuria, hundreds of thousands of Chinese settled in the Liao Valley, but while the Manchus engaged in prolonged warfare with the Ming dynasty, most of the Chinese fled for safety to their native provinces. The Manchu dynasty, after it had destroyed and superseded the Ming dynasty, adopted a drastic policy, excluding the Chinese from Manchuria by issuing a primitive form of passport, called Lu-piao, without which no person could pass the border at Shanhaikwan. Although this and other exclusion laws existed nominally until 1905, when they were nullified by the Military Governor of Mukden, many Chinese, mainly from Shantung and Chihli provinces, managed to enter by way of the sea, landing on the coast at points now occupied by Newchwang and Port Arthur, and sailing up the Yalu River by means of junks. They continued to increase in numbers.

After the Russo-Japanese war, the extension of railways, which was followed by agricultural and industrial developments, encouraged further immigration. The total of Chinese coolies landed during the period 1922–25 at Dairen, Yingkou, and Antung, or transported by the Peking-Mukden Railway, was estimated at from 400,000 to 500,000 a

year, but the number increased considerably from 1926 onwards, as is shown by the following table:

Year	Dairen		Yingkou		Antung		Peking-Mukden Railway		Total
	No.	Per-centage	No.	Per-centage	No.	Per-centage	No.	Per-centage	No.
1923.....	172,014	40	77,087	18	46,577	11	138,011	31	433,689
1924.....	167,206	34	61,904	13	42,641	9	210,719	44	482,470
1925.....	197,392	37	96,647	18	40,740	8	197,991	37	532,770
1926.....	267,062	44	124,743	20	48,287	8	167,260	28	607,352
1927.....	599,452	51	182,558	15	68,599	6	327,645	28	1,178,254
1928.....	506,553	54	152,556	16	52,703	6	226,660	24	938,472
1929.....	512,947	49	148,557	14	53,557	5	331,210	32	1,046,271

Of the immigrants arriving during the 1922–25 period, 50 per cent. or more, according to statistics taken at Dairen, where such estimates are most accurate, were merely seasonal labourers who returned to their homes in the late fall, when the harvest work was finished. That is to say, a little less than half remained as permanent settlers in Manchuria. But a marked increase occurring in 1926, and the still more extraordinary increase in 1927, constituted virtually a new phenomenon. Civil war between the South and the North was again raging in 1926. Especially in Shantung, Chihli and Honan provinces, warfare, the prevalence of banditry, tax extortion, etc. drove out the native population, who were desperately seeking refuge and the benefits of peace and order which Manchuria only offers. In the late fall of 1926, contrary to the tendency during the same season of any previous year, many hundred thousands of Chinese immigrants arrived and continued to enter in increasing numbers throughout 1927, during which year, it was estimated, no less than 1,178,000 persons arrived, itself a record. Though the civil war ended in June, 1928, conflicts again broke out, one after the other, south of the Great Wall, in 1929 and 1930, and continued till the fall of 1930. Thus the extraordinary movement of immigrants continued in those years, as shown in the table. Refugee immigrants in recent years, bringing with them their families and chattels, arrived with the determination to settle permanently in Manchuria. The table below shows the estimated number of migrants returning home and the numbers remaining in Manchuria as settlers:

Year	Migrants arriving	Migrants returning home	Remaining in Manchuria
1923.....	433,689	240,565	193,124
1924.....	482,470	200,045	282,435
1925.....	532,770	237,746	295,024
1926.....	607,352	323,694	183,658
1927.....	1,178,254	341,959	936,295
1928.....	938,472	394,247	544,225
1929.....	1,046,291	621,897	424,394

Every possible care is taken to assist the immigrants. The railways provide transportation at reduced rates, while the Chinese guilds and other charitable societies assist them during the period of their migration. The Fushun Collieries of the South Manchuria Railway Company encouraged Chinese immigration immediately after the European war by establishing recruiting offices in Shantung and Shanhaikwan. The South Manchuria Railway in 1925 offered Chinese immigrants a reduced rate of 40% of the ordinary tariff, and since April 1st, 1927, gave free passage to children under the age of fifteen and to persons above the age of sixty.

The Chinese Eastern Railway provided free transportation to children under the age ten and persons above the age of sixty, while the Peking-Mukden Railway gave free transportation to children under the age of twelve.

4 Administrative Divisions

Manchuria, hitherto called the "Three Eastern Provinces," comprised the provinces of Amur, Kirin and Mukden. Jehol, Charhar, and Suiyuan, situated in Inner Mongolia and formerly known as "Special Administrative Districts," were created separate provinces in September, 1928, by the National Government. Since the new Chinese national flag was adopted in Manchuria on December 29, 1928, the territory embracing Amur, Kirin, Liaoning (Mukden) and Jehol, has come to be called "Four North-Eastern Provinces" (東北四省). The administrative, judicial and military powers maintained in the Railway Zone of the Chinese Eastern Railway by the Russians were arbitrarily recovered by the Chinese authorities soon after the Soviet Revolution broke out, and the zone was named the "Special Administrative District of the Eastern Provinces" (東省特別區) in December, 1920. The administrative divisions of Manchuria and the eastern part of Inner Mongolia are to-day represented by four provinces and the special administrative district of the Chinese Eastern Railway Zone, above referred to, excluding the Leased Territory of Kwantung Province and the Railway Zone of the South Manchuria Railway, both of which are under Japanese jurisdiction.

Following the precedent of the National Government at Nanking, a Committee system has been adopted in the administration of Manchuria. The general administration and political affairs in Manchuria are placed under the supervision of the North-Eastern Political Commission (東北政務委員會), the Chairman of which is Marshal Chang Hsueh-liang,

Commander-in-Chief of the Four North-Eastern Provinces Frontier Defence Army. The local administration of each province is conducted by the provincial Government Commission, composed of from nine to thirteen members and a Chairman, all of whom are appointed by the Central Government at Nanking. In the provincial governments of Manchuria, the Chairman of each Government Commission is the Vice-Commander-in-Chief of the Provincial Army, except in Mukden Province, where the Chairman is a civil appointee.

5 Manchurian Bandits

As alluded to in the last Report, mounted banditry in Manchuria and junk piracy on the coasts have been common since time immemorial. The frequent occurrence of such activities even at the present day seems to indicate that it is beyond the ability of the Chinese authorities to eradicate the evil. Indeed, the bandits are still one of the marks of ill-fame on Manchuria.

Putting aside the historical origins of Manchurian bandits, most of the lawbreakers in recent years are said to have come from among Shantung coolie immigrants rather than Manchurian or Mongolian natives. The population of the latter is small, and these types rather lack the spirit necessary for hazardous undertakings, in this respect being very different from their warlike ancestors.

Certain accounts, however, give records of roving bands of unshaven, red-bearded Russians in Siberia during the eighteenth and nineteenth centuries, called by Chinese "hunghutzu," which literally means "red-beard," preying upon the Chinese who had settled on the Siberian border in North Manchuria. But Russian brigands gradually disappeared from these regions, and their place was practically taken by Chinese bandits. While the Russians were opening up Manchuria along the Chinese Eastern Railway, they often enlisted the services of Chinese bandits in their attacks on other bandits. During the Russo-Japanese war, Manchurian bandits were often utilized by both the belligerents in reconnoitring work.

After the war, economic development increased Manchuria's wealth and trade, which was also an incentive to the activity of the bandits. But the Japanese and Russian railway guards being well equipped in their respective zones, bandit raids were much less frequent in these protected areas than in the areas under Chinese jurisdiction. During recent conflicts in Manchuria, such as the spread of the Bolshevik revolution in the Chinese Eastern Railway Zone in December, 1917,

Camp of Mounted Bandits in Huinan Prefecture, Mukden Province

Bandits setting out on an Expedition

Bandits at Rest

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Kuo Sung-ling's revolt against his Chief, Chang Tso-lin, in December, 1925, the civil war between Chang Tso-lin and the South in 1927–8, and the Sino-Russian dispute on the Chinese Eastern Railway in 1929, Manchurian bandits were often enlisted in the Chinese armies. If the army failed to pay wages or disband these mercenaries, officers and men in association with the original bandit-soldiers became regular bandit groups. Furthermore, along with the extraordinary movement of population northwards from Shantung and other provinces during the past several years, which is something of a record in human history, numbers of bandits also entered Manchuria. Thus these lawless bands are on the increase. They are to-day estimated at about 50,000 — over 17,000 in Mukden Province, and over 10,000 each in Kirin, Amur and Jehol Provinces. While there are no available statistics relating to Manchurian bandits in the records of the Chinese and Russian authorities, the Japanese delegation submitted statistics of raids by Chinese bandits within the South Manchuria Railway Zone during 1906–20, the first of their kind. The following table shows the number of bandit raids within the Japanese Railway Zone since 1906:

Year	Raids	Year	Raids
1906	9	1918	82
1907	32	1919	106
1908	30	1920	183
1909	46	1921	152
1910	34	1922	104
1911	57	1923	131
1912	33	1924	246
1913	69	1925	206
1914	64	1926	213
1915	86	1927	296
1916	71	1928	352
1917	99	1929	368

In the years before the European war, Manchurian bandits moved in large bodies usually reaching a hundred strong, but their raids were not so frequent. In recent years raids were more often carried out by smaller groups, mostly numbering from five to ten, but the number of these attacks has greatly increased. In the interior, far from the railways, where communication facilities are lacking, bandits in large groups are rampant, specially in Amur and Jehol Provinces. The table below shows the number of bandit raids in the South Manchuria Railway Zone according to size of group:

Year	Raids by Groups less than 10	By Groups more than 10	More than 30	More than 50	More than 100	Total
1919	82	22	2	—	—	106
1920	147	34	2	—	—	183
1921	105	45	2	—	—	152
1922	88	13	3	—	—	104
1923	115	14	2	—	—	131
1924	219	24	3	—	—	246
1925	190	16	—	—	—	206
1926	171	35	4	3	—	213
1927	282	6	5	3	—	296
1928	315	11	14	11	1	352
1929	356	5	4	2	1	368

Cases of damage and injury to life inflicted by the bandits on different nationals in the South Manchuria Railway Zone are shown below:

		No. of Victims (excluding Japanese Army and Police)							
		Japanese		Chinese		Foreigners		Total	
Year	Cases of Damage	Dead	Wounded	Dead	Wounded	Dead	Wounded	Dead	Wounded
1926.....	236	1	4	21	29	—	3	22	36
1927.....	197	9	10	8	23	—	2	17	35
1928.....	256	6	4	8	22	—	1	14	27
1929.....	254	9	15	14	26	1	3	24	44

Losses suffered by the Japanese Army and Police in resisting bandit attacks are as follow:

		Japanese Army Railway Guards			Japanese Police		
Year	No. of Engagements	Dead	Wounded	Total	Dead	Wounded	Total
1926.....	10	1	5	6	6	9	15
1927.....	7	—	6	6	7	12	19
1928.....	9	—	3	3	6	8	14
1929.....	8	2	2	4	4	24	16

It is of interest to note the variety of the arms carried by the bandits. Peculiar to these outlaws are their Mauser pistols which are prized very highly by them, as the type of long-barreled pistol is more easily adjustable with its shoulder stocks. Of the pistols carried by men made captive, more than 60 per cent. were the Mauser revolver No. 1; 10 per cent. the Mauser revolver No. 2; another 10 per cent. the Browning automatic No. 2, and the remaining percentage various types of revolver made in European countries. Of the weapons with which they were armed, more than 40 per cent. were a Chinese native-made gun; 20 per cent. of Russian origin; 25 per cent. of Japanese origin (type of 1905, used during the Russo-Japanese war); and 15 per cent. various types of European and American origin. Machine guns and light

cannon, or "mountain howitzers," were often used by the leading bands of mounted brigands, such as the Jen-i-chun (仁義軍 — "Righteous Army," literally translated), Chen-tung-shan (陳東山), Hua-kung-hui (華公會) and others. The Righteous Army once held two machine guns which were stolen from the Japanese Consulate General at Kirin, and one light cannon taken from the Chinese military. Chen-tung-shan (陳東山) and Hua-kung-hui (華公會) once armed themselves with machine guns and light cannon furnished by the Soviet military. In recent years these bandits have broken up and worked in smaller groups.

6 Peace and Order

The maintenance of peace and order in Manchuria, though Russia participated in the task up to 1921 in her Railway Zone, is to-day undertaken by the Chinese authorities on the whole, and by the Japanese authorities in the Japanese Railway Zone and Leased Territory.

When Russia inaugurated the Chinese Eastern Railway in 1896, "the preservation of law and order" in the Railway Zone was "confided to the police agents appointed by the Company." This provision was applied to the Southern Manchuria Branch of the Chinese Eastern Railway, extending from Harbin to the seaports of Port Arthur and Dalny (Dairen), the concession of which was granted to Russia by China by the Convention of 1898. The convention gave Russia territorial leaseholds of the Kwantung Peninsula and the adjacent waters over which "the entire military command of the land and naval forces and equally the supreme civil administration" were concentrated in the hands of the Viceroy of the Far East. By the Treaty of Portsmouth, by which the leaseholds of the Kwantung Peninsula and the railway concession of the Southern Manchurian branch line from Changchun to Port Arthur were transferred to Japan, Japan and Russia reserved to themselves "the right to maintain the guards to protect their respective railway lines in Manchuria," the force not to exceed fifteen guards per kilometre. Furthermore, Japan, by an agreement annexed to the Treaty of Peking, 1905, reserved the right to maintain her railway guards until "China shall have become herself capable of affording full protection of the lives and property of foreigners." For the maintaining of peace and order in the Leased Territory and the Railway Zone under Japanese rule, the Governor-General, as already stated, was charged with police administration and military duties; but since the Governor-General was replaced, in 1919, by the Governor of Kwantung, a civilian appointee, while the Governor retains police power, the military power has been

wholly transferred to the Commander-in-Chief of the Kwantung Army.

At the Washington Conference, held in 1921–2, the Chinese Delegation strongly insisted upon the withdrawal of the foreign troops, but the retention of the Japanese troops along the South Manchuria Railway was defended by the Japanese Delegation, in a statement as follows:

It is a measure of absolute necessity under the existing state of affairs in Manchuria — a region which has been made notorious by the activity of mounted bandits. Even in the presence of Japanese troops, these bandits have made repeated attempts to raid the Railway Zone. In a large number of cases they have cut telegraph lines and committed other acts of ravage. Their lawless activity on an extended scale has, however, been effectively checked by Japanese railway guards, and general security has been maintained for civilian residents in and around the Railway Zone. The efficiency of such guards will be made all the more significant by a comparison of the conditions prevailing in the Railway Zone with those prevailing in the districts remote from the railway. The withdrawal of railway guards from the zone of the South Manchuria Railway will no doubt leave those districts at the mercy of bandits, and the same conditions of unrest will there prevail as in remote corners of Manchuria. In such a situation it is not possible for Japan to forego the right, or rather the duty, of maintaining railway guards in Manchuria, whose presence is duly recognized by Treaty.

The Chinese delegation again asked at this conference that China be given

an opportunity to show that she can maintain order along the South Manchuria Railway. The opportunity can only be granted if Japan withdraw her forces.

To this Chinese contention, the Japanese delegation replied in the following statement:

Japanese interest and Japanese security are matters of such importance that she (Japan) can not afford to take obvious risk. By taking such chances as are suggested we should do no good either to China or to ourselves. We should not pander to a sentimental idea at the risk of creating international difficulties in a region which has already been the source of a life-and-death struggle on the part of Japan, in a war which did more to preserve the integrity and independence of China than perhaps any other that has ever been fought.

Keeping peace and order in the Leased Territory and Railway Zone in Manchuria is, indeed, costly to Japan. For maintenance of garrison army and railway guards, Japan to-day spends 16,000,000 yen annually. In addition, the Japanese police administration annually costs more than 4,000,000 yen. But this outlay can not be avoided in Manchuria, where Japan has invested so heavily, where more than a million Japanese subjects (including Koreans) have their homes and business, and whence Japan obtains raw materials and foodstuffs. The maintenance of peace and order is also essential to effective national defence. It would have been most excellent had the Washington Conference had any beneficial moral effect upon conditions in Manchuria, but immedi-

ately after the conference civil war between the Kuomintang of the South and the Mukden party of the North broke out, and, as the world knows, has since intermittently continued. On each occasion of these outbreaks, more especially at the time of Kuo Sung-ling's revolt against Chang Tso-lin in December, 1925, Manchuria was in danger of becoming involved. The critical situation which developed in the spring of 1928 is fresh in memory. When the war was moving in the direction of Peking and Tientsin, and the situation became so menacing as to threaten the Japanese interest in Manchuria, the Japanese Government sent both belligerents a Memorandum of warning, which intimated that Japan would take appropriate steps to keep the belligerent armies out of Manchuria. At the time when the Sino-Russian dispute on the Chinese Eastern Railway took place in 1929, disturbances were not extended to South Manchuria simply because of Japan's strict neutrality as between the contesting parties and the presence of her railway guards in the South Manchuria Railway Zone. As before stated, what Japan wishes, as far as possible, is that Manchuria be not involved in civil war or other disturbances. It is a matter of simple fact that Manchuria, especially South Manchuria, is a region in China where civilized people can live and trade with more guarantee of safety. Russia in former times undoubtedly deserved credit for maintaining peace and order in North Manchuria, especially in the zone of the Chinese Eastern Railway. But, after the Bolshevik revolution, her military and police powers on the Chinese Eastern Railway were arbitrarily taken over by the Chinese authorities, in 1920, and China formally recovered these powers by the Sino-Soviet Agreement signed on May 31, 1924. In this zone, which the Chinese call the Special Administrative District of the Eastern Provinces, the Governor of the District having police power, and the Commander-in-Chief of the Railway Guard, were made responsible for maintaining peace and order. According to the annual report of the Chinese Eastern Railway, this company pays each year 3,500,000 to 4,100,000 roubles as interim "Subsidies to the Chinese Government institution," most of which is absorbed as military and police expenses in the Railway Zone.

Regarding the defence of Manchuria as a whole, excluding the Japanese Leased Territory and Railway Zone, the so-called North-Eastern Army was said to maintain 20 divisions of 6,000 men each, aggregating 120,000 men, following a staff conference held in April, 1929. While Marshal Chang Hsueh-liang assumed the office of Commander-in-Chief at Mukden, General Chang Tso-hsiang (張作相), General Wan Fu-lin (萬福麟) and General Tang Yu-lin (湯玉麟) were

appointed as Vice-Commanders-in-Chief stationed respectively at Kirin, Tsitsihar and Jehol.

As to naval defence, there are two or three local divisions. Marshal Chang Hsueh-liang is Commander-in-Chief of the North-Eastern Fleets. One division consisting of eight river gunboats, called the Amur River Fleet, is stationed on the Sungari River at Harbin. Another, consisting of three light cruisers, is stationed in Hulutao Harbour, now being constructed.

The subject of Japan's defence in South Manchuria will be treated in Chapter IV.

II HISTORICAL BACKGROUND

7 Tribes and the Great Wall

Manchuria is said to have been inhabited by aboriginal tribes, chiefly the race of people called the Tungus, as early as 2000 years before the Christian era.

The ruling tribes were known among the Chinese by different names, such as the Sushen, I-lon, Tung-hu, Mieh-mo, Fuyu, Kaoli, etc., for many centuries. The Sushen, and their descendants called the I-lon, centred along Ching-po-hu Lake on the upper reaches of the Hurka River, a branch of the Sungari, and spread out in the north-eastern part of Manchuria. The Fuyu inhabited the plains of the present Nung-an prefecture, north-west of the city of Changchun, and spread toward the upper valley of the western branch of the Liao River. The Kaoli, or Koreans, though originally settled in the upper valley of the Yalu, descended to the south-east and spread toward what we know as Korea. A certain anthropologist holds the view that the Japanese and the Koreans are descended from the Tungus race in greater degree than is any other race. Another tribe was the Tung-hu, whose name was dreaded by the Chinese during the period of military anarchy known as the Six Kingdoms of China. The Wu-won and the Kitan were related to the Tung-hu. These tribes, though they originally belonged to the Tungus race, mixed in a predominating degree with the Mongol Tartars, and principally inhabited the western area of Manchuria. These Manchurian tribes hunted on the open plain like the Mongol Tartars, and were nomads, — warriors and herdsmen. As time went on, and the tribes and Tartars grew in numbers and strength, internecine warfare became frequent, and they were a constant menace to the Chinese. The Great Wall, first built by Chao Hsing, monarch of the Yen Kingdom, in 255 B. C., was lengthened and completed in 214 B. C. by Shih Huang-te, the first Emperor of the Chin dynasty, and extending over 2000 miles from its western extremity in Shensi province to the Liaotung in Manchuria, proved an effective defence against the assaults on the Empire by the Mongolian and Manchurian tribes which early Chinese annals mention as the Tung-hu and the Hsing-nu (Huns).

8 Tribal Kingdoms

As the aboriginal tribes of Manchuria intermingled with other im-

migrant tribes and Chinese refugees of superior civilization and higher culture, it was a natural development that several kingdoms, maintaining state organizations, should come into existence. Those recorded are the Fuyu (37 B. C.–494 A. D.), Kaoli (37 B. C.–668 A. D.), Pohai (717–927), Kitan (916–1125), Kin (1115–1234), and the Later Kin (1616–1644). These kingdoms, though some had nominally a sort of tributary relation with China, made war and peace at their pleasure, and often sent envoys as do modern states. The people of Fuyu centred about the plains surrounding the city of Changchun, now the northern terminus of the South Manchuria Railway. The Kaoli, the original tribe of which was said to have separated from the Fuyu, centred in the valley of the Yalu River, and this kingdom once dominated the northern part of Korea and the greater part of South Manchuria, with the Liao River as its western boundary. At the time when Korea was divided into three kingdoms, Kaoli was counted one of them, and was called Kokuri in the Korean pronunciation. The Han Dynasty was on friendly terms with the Fuyu, in order to counterbalance the activities of the Kaoli. History records that Japan more than once engaged in warfare with the Kaoli. The tablet inscribed on a stone monument which was erected at Tungku, the old capital of the Kaoli Kingdom, on the Chinese side of the Yalu, about 500 miles up the river from Antung, describes the heroic work of Kuang-kai-tu-wang (392–413), the nineteenth king of the Kaoli, especially his activities in Manchuria and Korea, and also very clearly mentions his warfare against the Japanese. But the Kaoli, when menaced by invasion by a Tang Emperor of China, made an alliance with Japan in 662. The Fuyu surrendered to the Kaoli in 493; the Kaoli were crushed by the Tang Dynasty in 664.

After the wreck of these two states came the Pohai Kingdom, which dominated practically the territories of the old Fuyu and the Kaoli. This state maintained friendly relations with both China and Japan. When it was finally subdued by the Kitan Tartars in 927, it had lasted for over two hundred years, during which time the Pohai and Japan exchanged envoys, and had trade relations.

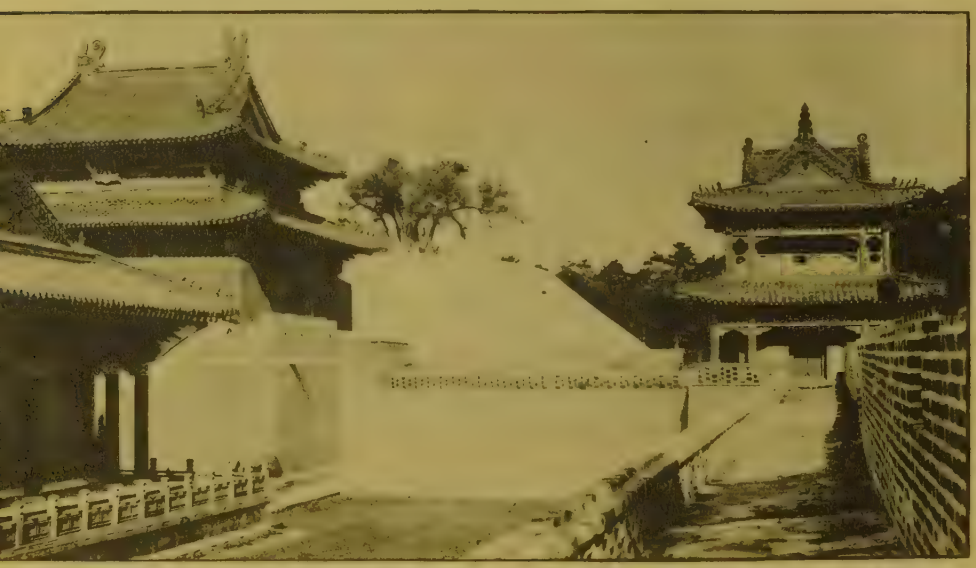
The vigorous Kitan chieftain, Opaochi, subjected the Nu-chen tribe in the north, dominated the eastern part of Mongolia, and next proclaimed himself emperor of an independent state, with the dynastic title of Liao, in 916. He entered at once upon a long course of encroachment upon the neighbouring kingdoms; and the final result was that Peking was for the first time raised to the status of a metropolis as the Kitan capital. The Kitan Empire spread over

Remains of Old Castle built by Kaoli on Tahoshang Mountain, near Chinchou, Leased Territory

Site of walled capital built by the Nu-chen at Paicheng, near Harbin

Site of the walled capital of the Pohai Kingdom at Tungking

Part of the Great Wall near Shanhaikwan



Eastern Mausoleum of the Ancestry of The Manchu Dynasty at Mukden

North Mausoleum of a Manchu Emperor at Mukden

Mongolia, Manchuria, the northern part of China, and North Korea to the coast on the Japan Sea. It embraced Outer Mongolia in the West and the greater part of Chihli Province in the South, its eastern boundary being confined by the Japan Sea.

The Nu-chen, descendants of an original Manchurian tribe, the Sushen, centred at Paiecheng, near the present Harbin, and gradually extended their domain southward into North Korea, and south-westward into the Kitan territory. By 1115, Akuteng, the leading chief of the Nu-chen, had so far advanced the foundation of an independent kingdom that his dynasty called Kin (Gold) was established. Previously, the Chinese under the Northern Sung had made an alliance of brotherhood with the Kitan Kingdom under a blood oath, and had not only escaped invasion by the latter, but had gained in prestige. When the Kin gradually grew in power, and the Kitan lost in proportion, China abandoned the brother kingdom and made a secret alliance, in 1120, with the growing new kingdom in order to destroy the Kitan. By this alliance China was to obtain the seventeen Kitan provinces in the Liao Valley, and the pledge that the Kin were under no condition to march south of the Great Wall. In return China promised the Kin to invade the southern capital of the Kitan state and to furnish an annual tribute amounting to 500,000 Taels. The Kin's movements were so overwhelming that the Kitans were severely defeated in all directions, and Peking was finally taken by direct assault in 1122, the Kitan Emperor having already sought safety in flight. But China failed to take the southern capital of the Kitan state, and appealed to the Kin for immediate aid in taking the capital, thus giving the latter an opportunity to penetrate considerably beyond the Great Wall. When the question of a settlement of territory between China and the victorious Kin came up, the Chinese Emperor found himself powerless, and the lion's share of the territorial rewards was taken by the Kin. The yoke imposed by the latter on account of China having violated her promise was more burdensome than that of the dreaded Kitans. The Kin, in their southern campaigns, seized everything. The capital of the Sung Emperor was captured. By 1129, the whole of China north of the Yangtze River was in the hands of the Kin.

Kin supremacy, however, did not last long. When the Kin people came into contact with the Chinese, the hardy warriors of the conquering race were quickly softened by the ease and luxury of the Sung civilization. They were no longer strong enough to resist the invasion of the newly-rising Mongol Tartars under the renowned Genghis

Khan. The Southern Sung, seizing an opportunity again to play their traditional diplomacy, entered into a secret alliance, this time with the Khan to destroy the Kin. Finally, in 1234, the Kin Dynasty of Nu-chen was destroyed by Ogotai, third son of Genghis, with the aid of the Southern Sung, who were themselves in turn exterminated by Kublai Khan, the first Mongol warrior to rule as emperor over the whole of China.

The Chinese in those days often practised their traditional diplomatic axiom, known as "Yuan-Chiao-Chin-Kun" (遠交近攻) or "I-I-Cheng-I" (以夷制夷). The former means, "Check your neighbour by befriending those who are further from you"; and the latter, "Fight in co-operation with one foreign devil against the other." "Double-crossing," however, did not always operate successfully when it met overwhelming foes, such as the Kin or the redoubtable Kublai. On the contrary, the Chinese themselves rather became its victims.

Thus the Kin Dynasty was destroyed by the Mongol conquerors, who, one hundred and thirty-four years later, in 1368, were themselves driven out of China by a native Chinese, known as Chu Yuan-chang. He placed Manchuria under a Chinese dynasty, known to history as the Ming. But the tribesmen of the old Kin under the name of Nu-chen were never annihilated either by the Mongolian or the Ming Dynasty. Ming rule never extended further than the present Mukden Province.

Among many tribes which traced their ancestry from the Nu-chen of old, three groups were prominent: the Haisi Nu-chen, in possession of the western valley of the Sungari: the Chienchou Nu-chen, on the Korean border, and the wild Nu-chen, on both banks of the Amur. During the ensuing two hundred years their warlike spirit led to frequent warfare with the Mongol Tartars, with the Koreans, and with the Chinese rulers, and it is little wonder that the Nu-chen tribes produced, in 1559, a young hero, called Nuerhachi, who altered the course of Chinese history to such an extent that for nearly three hundred years his descendants sat on the Dragon Throne as the Taching Dynasty. He first came into prominence in 1583, when, at twenty-four years of age, he took up arms in consequence of the treacherous murder of his father and grandfather; and he finally succeeded, three years later, in securing from the Chinese, not only the surrender of the murderer, but also a money indemnity. Soon he succeeded in amalgamating the Nu-chen tribes under his personal rule. Following up his victory by the annexation of neighbouring states, he began in 1616 to present a bold front towards the Chinese, declaring himself independent, calling his domain the Kingdom of the Later Kin, and refusing any longer to pay tribute. Mukden, Liaoyang, and Kaiyuan were successively taken by

him. The Ming army and a Korean force were driven before him in the valley of the Liao. But he was never able to break through Shanhaikwan and the Great Wall. At his death, in 1626, his fourth son, Abkai, succeeded him at the age of thirty-four. This new leader of the Nu-chen, a tried warrior himself, was ever determined on the conquest of Peking. He was very successful in his campaigns against the Koreans and the Mongol states, and in bringing them to his side in the hope of thus securing an easy passage for his armies into China. In spite of the fact that he had done admirably well all through his hard struggle against the Chinese, he failed to penetrate to Peking just as his famous father had failed. He died suddenly in 1643 while his big campaign was still pending. In 1636, this ruler had changed the name of his Kingdom of Later Kin to Taching, and it is said that in the same year he gave the name "Manchuria" to the land of Nu-chen in commemoration of his father, the founder of the dynasty, whose Buddhist posthumous name was Manchu.

Taching's ninth son, an infant of five, succeeded him. This infant sovereign, under the able regency of his father's younger brother, continued the campaign to complete the work of the late ruler, placing 100,000 Manchu warriors in the region west of the Liao River. Meanwhile, internal trouble broke out on the Chinese side, and a rebel, called Li Tzecheng, took Peking. The Ming Emperor hanged himself in March, 1644. This gave the Manchu leader a good opportunity to enter Peking unopposed, which he did in May, 1644. The boy sovereign moved his capital from Mukden to Peking simultaneously, and the Manchu dynasty of Taching was proclaimed over all China on the first of October in the same memorable year.

9 Manchuria under the Manchu Dynasty

Manchuria remained under the sway of the Taching, or Manchu Dynasty, for 268 years — from 1644 to 1912, when the last Emperor, Pu Yi, issued his final Edict by which he renounced the Imperial Throne and proclaimed the most radical change in the form of the state — from a monarchy to a republic.

Regarding international questions concerning Manchuria, China, under the Manchu Dynasty, had had relations with Russia since 1687, arising over boundary disputes; and with Japan since 1894. When Great Britain and France declared war against China in 1859, their combined squadrons made use of historic Port Arthur as base of operations. Two years later, Newchwang was opened to foreign trade.

International questions concerning Manchuria will be treated in more detail later in the sections dealing with Russia's advent and the Japanese in Manchuria.

After the Manchus had established their rule over China, Manchuria was treated as an extramural part of the Chinese Empire for many years. The region and its people, during the Taching Dynasty, were accorded special treatment. When the Chinese Empire became unified, the Manchu imitated the Mongol ruler in leaving the civil administration of the Empire to a great extent in the hands of Chinese literati. Important offices in the Court and central and provincial Governments, however, were mainly reserved for Manchu nobles and leaders. All Manchuria was placed under a military administration in which the Manchu personnel and customs were maintained. Mukden, Kirin and Amur Provinces each had a military governor vested with complete authority, both civil and military. In making appointment to important offices in the provinces of China proper, such as that of governor or viceroy, no official was ever appointed to a post in the province of his birth, except in Manchuria, which was governed by men of Manchu origin down to 1907. After the Russo-Japanese war, regulations relating to provincial governors in the Three Eastern Provinces (Manchuria) were promulgated following a memorial addressed to the Emperor by Hsu Shih-chang and Tang Shao-i in April, 1907. The military governors conducting the administration of these Three Eastern Provinces were replaced by civil governors under the control of a Viceroy or Governor-General.

10 Manchuria under the Republican Régime

When the republican *régime* was inaugurated in 1912, a civil governor and a military governor were appointed to each province. The latter's authority extended only over military affairs under the orders of the President and the Minister for War at Peking. The central authority, however, declined as time went on and the military governors' powers steadily increased. When the question arose of joining the Allies in the war against Germany, in 1916, most of the military governors, including Military Governor Chang Tso-lin, of Mukden Province, requested President Li Yuan-hung to dissolve the Parliament, which opposed a declaration of war against Germany, and to amend the Constitution, which made necessary the consent of the Legislature to a declaration of war. When the President rejected this proposal, Chang Tso-lin and other military governors declared their respective provinces independent of the Central Government. Through the mediation of

Chang Hsun, Governor-General of the Yangtze Valley, Chang Tso-lin withdrew his declaration of the independence of Mukden. After Soviet Russia had made a separate treaty of peace with Germany at Brest-Litovsk, Chang Tso-lin was appointed, in September, 1918, Governor-General of the Three Eastern Provinces in order to provide against the danger that would arise should the Russian disturbance extend within the Chinese frontier. He was also appointed Superintendent-General of the Mongolian Frontier, in 1921. In the civil war of the spring of 1922, which was caused by friction between General Wu Pei-fu, of the Chihli party, and General Chang Tso-lin, of the Mukden party, the Mukden forces were defeated and withdrew from Chihli Province. President Hsu Shi-chang immediately issued an order to dismiss Chang Tso-lin from the offices held by him. Various associations of the three provinces, however, supported Chang Tso-lin, and unanimously passed a resolution as follows:

"The lives of 30,000,000 people of Manchuria depending on the fate of Chang Tso-lin, no order dismissing Chang Tso-lin from the important offices he holds in Manchuria shall be approved."

Simultaneously, Chang made a declaration of the independence of Manchuria, in May, 1922, which was communicated to the Foreign Ministers at Peking and to the Foreign Consular body at Tientsin. This declaration was in purport as follows:

(1) The Three Eastern Provinces of Manchuria, and Mongolia, Inner and Outer, cannot be recognized as parts of the Chinese Republic.

(2) As he holds a peculiar position in these regions, Chang Tso-lin shall be responsible for safeguarding life and property therein, and shall maintain cordial relations with friendly nations.

(3) The Treaties concluded hitherto with the Manchu Dynasty and the Chinese Republic shall be respected.

(4) Any foreign Minister or Consul desiring to negotiate should apply to his office.

(5) Any treaty relating to Manchuria which may be concluded by the Peking Government must have his direct approval.

Thus, in fact, Chang acted as the *de facto* ruler of an independent state, and concluded on October 8, 1924, a separate agreement re the Chinese Eastern Railway in the name of the "Government of the Autonomous Three Eastern Provinces of the Republic of China" with the Soviet Republic of Russia, without referring to the Peking Government.

The second Mukden-Chihli collision took place in the autumn of 1924, when Marshal Wu Pei-fu, of the Chihli party, was overthrown by Marshal Chang Tso-lin, of Mukden, in association with General

Feng Yu-hsiang, of the Kuominchun, who abandoned his former chief, Wu Pei-fu. The following year Tuan Chi-jui was made Provisional Regent, acting as President of the Republic of China with the support of Marshals Chang and Feng.

Feng next began to struggle with Chang for the mastery of Peking, in co-operation with Tuan Chu-jui, and with the support of Soviet Russia. At the beginning, Feng was so far successful that in December, 1925, he forced Chang's forces to withdraw to Tientsin, and later to retreat to Manchuria, by a flank attack in secret co-operation with Kuo Sung-ling, who, though he was a trusted general of Chang Tso-lin, revolted against his chief. Chang, this time in association with Wu Pei-fu, waged another war for the overthrow of the Russian-supported Feng. This was called the third Mukden-Chihli war. Feng's army, the Kuominchun, finally evacuated Tientsin and Peking in April, 1926.

The victorious Chang Tso-lin, though he remained for some time at headquarters in Tientsin, entered Peking December 27, 1926, as Commander-in-Chief of the Ankuchun (Peace Restoration Army), assuming the leadership of the several anti-Southern armies in North China. It was generally believed that he would assume the office of President, but after conferences with various military leaders, and ostensibly at their request, Chang Tso-lin was ceremoniously installed as Tayuanshuai, i. e., Grand Marshal or Generalissimo, on June 18, 1927. On the same day, a Mandate on the Organization of the Military Government of the Chinese Republic was issued, containing seven articles, in part as follows: (1) The Grand Marshal controls the Army and Navy of the Republic. (2) During periods of military administration, he represents the people of the Republic, exercises supreme authority, and guarantees the legal rights of the people. (3) A cabinet is to be attached to the Military Government to assist the Grand Marshal in the conduct of public affairs.

:The so-called "Nationalist forces" under the supreme command of General Chiang Kai-shek, Marshal Feng Yu-hsiang and General Yen Hsi-shan, continued their campaigns against Chang Tso-lin established at Peking. But Grand Marshal Chang in his last campaign, in the spring of 1928, finally withdrew from Peking to Mukden, where he was fatally injured when the special saloon in which he and his suite were travelling was destroyed by an explosion on June 4. After Chang Tso-lin's death, the control of Manchuria was assumed by his son, Chang Hsueh-liang, who has succeeded in establishing a policy of reconciliation with the National Government at Nanking.

11 Russia's Advent in the Pacific

In the sixteenth century, the Russians crossed the Ural mountains primarily to obtain furs in Asia, while the Portuguese and Spaniards opened a sea route to further Asia in order to obtain the famed spices of the East. Encouraged by lucrative gains, the fur-hunters gradually pushed their way eastward through Siberia to the Behring Sea, and even across the straits to Alaska. These forerunners of empire, with the Cossacks, in the 17th century came into contact with the Chinese, and often engaged in warfare on the Upper Amur. A Treaty concluded on October 27, 1689, at Nerchensk, between Chinese and Russian envoys, extended the Russian empire to the northern boundary of Manchuria along the Argun River, a tributary of the Amur, and from the mountain range of the Kamennue to the Okhotsk Sea. This was the first treaty China ever signed with a European power; it was also the first treaty relating to Manchuria. While China was much concerned as to the question of ratification of the Tientsin Treaty with Great Britain and France, Muravieff, Viceroy of Eastern Siberia, took the opportunity to exact from China the so-called Aigun Treaty of May, 1858. By this agreement, the whole vast territory north of the Amur River to the Behring Sea was definitely ceded to Russia, and another large territory east of the Ussuri River to the Sea of Japan and the Korean frontier, which is called the Maritime Province, was placed under the common overlordship of China and Russia. China again got into trouble with the British and French Commissioners, who were flatly refused permission to proceed to Peking where the Tientsin Treaties were to be ratified. Subsequently, British and French allied forces, a force of 18,000 men, took Tientsin and Peking, in 1860, and the Imperial Court fled north to Jehol, a summer capital. During the progress of these events, General Ignatieff, Russian Minister, offered his services as intermediary. China finally conceded the demands of Great Britain and France. At the same time, China was not in a position to deny Russia what she demanded for her services, though the latter had spent little money and used no force. After the ratification of the Tientsin Treaties, Russia advanced from the common ownership (with China) of the Maritime Province, and assumed absolute control of the territory through the Peking Treaty concluded on November 14, 1860.

On Peter-the-Great Bay, in this province, Muravieff, as Viceroy, founded the port of Vladivostok for the accommodation of the Russian Pacific Fleet.

12 Railway Penetration in Manchuria

The Emperor Alexander III dreamed of the construction of a Trans-Siberian Railway connecting European Russia with Vladivostok, and was so impatient to hasten this project that he appointed Sergey Yulyevich Witte to be Finance Minister, on September 11, 1892, in addition to the post he then held of Minister of Ways and Communications. The Finance Minister who was superseded, as head of an independent ministry, had heretofore discouraged, if not actively opposed, the vast enterprise involved in this railway construction. But in his double capacity, Witte concentrated his energy on the contemplated construction of the Trans-Siberian Railway, and is reported to have said to his sovereign: "I will devote myself body and soul to the task!" The construction of the Ussuri Railway, connecting Vladivostok with Habarovsk, inaugurated on May 19, 1891, was hastily completed under Witte's administration. In the meantime, the Trans-Siberian, which was under construction, had reached Transbaikalia, and the question arose as to the further direction which the railroad should follow. Witte conceived the idea of building the road straight across the Chinese territory, Manchuria, toward Vladivostok, as being much easier and more economical than would be a road built entirely in Russian territory following the course of the Amur River.

Japan was victorious in the war with China in 1894–5, and demanded the cession of the Liaotung Peninsula, a part of South Manchuria. A provision in the Shimonoseki Treaty ceding the Liaotung to Japan by China excited the Russian statesmen, especially Witte. As Witte believed that Japan's permanent occupation of the Peninsula would interfere with his plans for railway penetration in Manchuria, he initiated the triple intervention of Russia, France, and Germany against Japan for the restoration of that territory to China. Japan at that juncture could only most reluctantly comply. Witte also made an arrangement with a French syndicate to furnish China with a loan to pay the Japanese indemnity, this being a four per cent. loan of 400,000,000 francs under a Russian guarantee. In the meantime, the Russo-Asiatic Bank was established to participate in Russia's new financial activities in China.

Russia was not slow to utilize these friendly acts to obtain compensation from China. When Li Hung-chang was sent to attend the Czar's coronation in April, 1896, Witte was empowered by his sovereign to conduct negotiations with the Chinese envoy concerning the so-called "Secret Pact." This secret pact was concluded in treaty form as the "Treaty of Alliance between China and Russia." The treaty was kept

in strict confidence for many years, and was known ironically as the "Cassini Convention." Through this treaty, which provided for a Russo-Chinese alliance against Japan, Russia obtained from China formal consent to extend the Trans-Siberian Railway straight through Manchuria to Vladivostok, in the name of the Russo-Asiatic Bank. Thus it was possible to shorten the Trans-Siberian line by 568 miles. The railway, 919 miles in length, running through Chinese territory, was called the Chinese Eastern Railway, the Company of that name being organized in 1896, and construction beginning in August, 1897. The contract for the construction and operation of the Chinese Eastern Railway was signed between the Chinese Minister to Russia and the Russo-Asiatic Bank at Berlin. By the fifth Article, civil and criminal jurisdiction in the Railway Zone was given to the Chinese Eastern Railway Company, this being something like consular jurisdiction. "Absolute and exclusive right of administration" in the Railway Zone was conferred upon the Company.

Russia was not satisfied with Vladivostok alone as an outlet on the Pacific, for the port is ice-bound more than half the year. Immediately after Germany acquired the lease of Kiaochou harbour and the railway concession in Shantung Province, in the spring of 1898, Russia obtained, by a convention concluded on March 28 of that year, a lease of Port Arthur and Dalny (Dairen), and the adjacent territory and territorial waters for twenty-five years. By this Convention, the Chinese Eastern Railway Company was authorized to construct a branch line running 624 miles from Harbin to Dalny and to Port Arthur on the same conditions as those relating to the Chinese Eastern Railway, including civil and criminal jurisdiction and administrative power in the Railway Zone.

The construction of a trunk line to Dalny and a branch line of the Chinese Eastern Railway to Port Arthur, the reconstruction of Port Arthur as a Russian naval station, with extensive fortifications, the construction of a modern harbour and city at Dalny as a terminal of the branch line, and the founding of the modern city of Harbin, as a junction of the Chinese Eastern main line with its South Manchurian branch line to Dalny, were practically completed by July, 1903, seven months before the outbreak of the Russo-Japanese war. Russia was said to have spent on these extensive works more than 588,000,000 roubles.

The following table gives details of this expenditure:

	Roubles
Construction of the Chinese Eastern Railway (including branch line to Port Arthur)	375,000,000
Additional expenses of construction	75,560,000
Dalny Harbour construction expenses	10,000,000

Dalny City construction expenses	8,800,000
Dalny land purchase expenses	1,380,000
Port Arthur Harbour and City expansion expenses	17,400,000
Harbin City foundation expenses	100,000,000
Total	588,140,000

In addition, many millions of roubles were spent for the reconstruction of fortifications at Port Arthur, the amount of which is not known.

The Boxer outbreak in 1900 provided another opportunity for Russia to strengthen her position, in that she placed large bodies of troops throughout Manchuria. Though frequent assurances that she would withdraw these troops were given, in reply to the representations of Japan, Great Britain, and the United States, Russia did not carry them out. Meantime, Russian penetration into Korea gradually became acute. Russia's unconciliatory attitude toward Japan in the latter's attempts to reach a friendly adjustment of the rapidly developing problem of Manchuria and Korea finally led to the Russo-Japanese war, 1904–5. By the Treaty of Peace concluded at Portsmouth, N. H., U. S. A., Russia ceded to Japan her railway from Changchun to Port Arthur and the territorial lease of the Kwantung Peninsula.

After the war with Japan, Russian policy in Manchuria underwent a change and her North Manchurian railway was regarded more as a commercial undertaking. Russia was much concerned with European politics in connection with German activities in the Balkan Peninsula and Morocco, and showed a spirit of co-operation with Japan in joint activities in Manchuria, as is evidenced in the convention and treaty with Japan concluded respectively in 1907 and 1910. Instead of double-tracking the Chinese Eastern Railway, Russia built the so-called trans-Amur Railway connecting Europe with Vladivostok on Russian territory throughout. The construction of these 1,240 miles of line began in 1908 and was completed in 1916, at a cost of 295,000,000 roubles.

13 After the Bolshevik Revolution

The Bolshevik revolution in European Russia brought about chaotic conditions in Siberia, and had a bad effect on Russian railway and other interests in Manchuria. After the separate treaty was signed between Soviet Russia and Germany at Brest-Litovsk, on March 3, 1918, the Bolshevik army, with which were incorporated many thousands of German and Austrian prisoners, fought the anti-Bolshevik leaders, Admiral Kolchak, of the Omsk Government; General Semenoff, leader

of Russian reactionaries in Eastern Siberia; and General Horvath, of the Chinese Eastern Railway. Chinese military forces seized the opportunity to occupy a part of the Chinese Eastern Railway on December 18, 1917, ostensibly to maintain peace and order, as well as to protect the inhabitants, both foreign and native. Subsequently, a new and important factor was injected into the Siberian situation through the advent of fifty thousand Czecho-Slovaks, who moved from European Russia toward Siberia and came into collision with the Bolsheviks and their German allies. It was deemed necessary that they be rescued by international effort.

Among many other non-Bolshevik Russians, Mr. Eugene de Schelking, formerly Secretary of the Russian Embassy at Berlin, most strongly urged allied intervention in Siberia with a force of 80,000 soldiers, of whom at least 50,000 must be Japanese.

The Russian citizens in Harbin and Vladivostok also passed resolutions appealing for military aid from the Entente Allies. The advance of the Bolsheviks under the leadership of German Imperialism was regarded as a serious menace to the Far East by the Japanese people, and the Press urged the Government to provide measures to meet it, but the Japanese Government did not take any actual step till the United States began in June, 1918, to negotiate with Japan with a view to sending a Japanese-American force to Siberia to the aid of the Czecho-Slovaks. A contingent of the allied forces, American, British, French, and Japanese, landed at Vladivostok, and was received with great enthusiasm. The Commander-in-Chief, General Oh-i, of the Japanese Army, was appointed Commander-in-Chief of the Allied Forces. A Committee of the Allied Forces, including representatives of China and Russia, arranged the distribution of this international army along the railways. The western part of Baikal was assigned to French, British, and Czecho-Slovak troops; the eastern part of Baikal to Russian and Japanese; the Chinese Eastern Railway zone to Chinese forces; the southern part of Ussuri Railway to the American force; and the northern part of the Ussuri Railway and the Amur Railway line to Japanese troops. In order to ameliorate the disorderly condition of the Chinese Eastern and Siberian Railways, and thereby to restore their efficiency, an Inter-allied Committee consisting of a representative each of China, France, Great Britain, Italy, Japan, Russia, and the United States, under the presidency of a Russian, was organized in January, 1919. Under this committee there were two boards: first, a Technical board placed in charge of Mr. John F. Stevens, an American engineer, and, second, a Military Transportation board under the charge of

Major-General Shibō, of the Japanese Army. According to this arrangement 20,000,000 yen was to be defrayed by the allied countries, of which 8,000,000 yen each was apportioned respectively to Japan and the United States.

In the meantime, the attitude of the Great Powers towards the Bolsheviks underwent a change. In January, 1920, the United States suddenly withdrew her troops from Siberia, as she deemed that the original purpose of the expedition had been accomplished. Japan made a declaration on March 31, 1920, that she was looking forward to the withdrawal of her troops at an early date, but that withdrawal was not so simple a matter for Japan as it was for other Allied Powers. The massacre at Nicolaievsk of more than seven hundred Japanese, including a consul, women and children, caused Japan to occupy certain points in the Russian Littoral and Sakalin as a measure of reprisal. The Japanese evacuation of Trans-Baikal and Amur Province was completed by August of the same year.

After the Far Eastern Republic had been established in Chita in 1920 with the approval of the Soviet Government, Japan, in 1921, approached the Chita Government in order to negotiate an agreement relating to the evacuation and the re-establishment of commercial relations. At the Washington Conference, the Japanese delegation declared that it was the fixed policy of Japan to respect the territorial integrity of Russia, and that Japan's evacuation of the Maritime Province would be effected as soon as the security of the Japanese residents and of the Korean frontier region was established. The negotiations with the Chita Government ended in a deadlock, but Japan withdrew her entire forces from Vladivostok and other points in the Maritime Province on her own initiative at the end of October, 1922.

China, however, did not withdraw her forces from the zone of the Chinese Eastern Railway. On the contrary, China took steps gradually to recover military and police power in the Railway Zone, taking advantage of the attitude of the Soviet Government, which was anxious to obtain recognition from the Chinese Government by renouncing "all rights, privileges, and concessions," provided in the agreements concluded by the former Czarist Government. In the spring of 1920, General Pao Kuei-ching, Military Governor of Kirin Province, availing himself of a disturbance among the railway workmen, prevented General Horvath from continuing his official functions, and disbanded all the Russian military guards and police forces along the railway. The zone of the Chinese Eastern Railway was thereafter exclusively guarded by Chinese military forces and police. With the withdrawal of recognition by the

Chinese Government of the Czarist diplomatic representative and consuls, which was effected by Presidential Mandate issued on September 23, 1920, the Consular jurisdiction of Russia in China was suspended. By another mandate, dated October 31st, Chinese law courts were established in Harbin and in other sections of the Railway Zone, and the Russian tribunals were thereby superseded. As a consequence of the Presidential Mandate of February 10, 1921, the Chinese authorities were to assume municipal administration in Harbin and along the railway.

Meanwhile, Soviet Russia was cultivating a good understanding with China. Mr. Leo Karakhan, Assistant Commissioner of Foreign Affairs in Moscow, made a declaration in 1919 "to the Chinese people and the Governments of North and South China," stating that it was Soviet Russia's policy to enter into treaty relations with China on an absolutely equal footing, by renouncing, without compensation, all rights, privileges, concessions, and properties provided in the agreements concluded during the old Czarist Regime, and also stating that the obligation of the further payment of the Boxer Indemnity would be cancelled. China was also advised to dismiss the Czarist diplomats still in Peking. Mr. Yourin was sent during the following year to China as the representative of Chita and Moscow. He had an informal interview with a representative of the Chinese Foreign Office, but could not enter into any formal negotiations. Mr. Abram Adolph Joffe was sent to Peking in August, 1922. Nothing was effected, however, until Mr. Leo Karakhan himself arrived in September, 1923, as Joffe's successor in the "Ambassadorship of the Union of Soviet Socialist Republics to the Far East." After protracted negotiations, two agreements were finally signed, on May 31, 1924, by Mr. Karakhan, representing the Soviet Union, and Dr. Wellington Koo, Foreign Minister of China. One agreement on the general principles of settlement of the questions at issue between the Republics provided for the establishment of normal diplomatic and consular relations. Among the important items, Russia abandoned her extraterritorial privileges in China. She restored all her concessions to China, and renounced entirely the balance of the Boxer Indemnity due to her. The Republics reciprocally agreed not to recognize any treaty with a third power affecting the sovereign rights of the other. With regard to the Chinese Eastern Railway, the agreement recognized Russia's economic ownership, but political sovereignty in the Railway Zone, "such as judicial matters, matters relating to the civil administration, military administration, police, municipal government, taxation," etc. were handed over to China. Another agreement

provided for Sino-Soviet joint management of the Chinese Eastern Railway. This stipulated that five Russian directors and five Chinese directors were to constitute the governing board, but in actual management of the railway, Russian preponderance was guaranteed by a provision that the manager and one of two assistant managers should be Russian, one assistant manager being Chinese. Three months later, the Soviet Government concluded an agreement with the Government of the Autonomous Three Eastern Provinces of the Chinese Republic, on October 8th, at Mukden, since Manchuria at the time was practically under the autocratic rule of Marshal Chang Tso-lin who did not recognize the authority of Peking. So far as the Chinese Eastern Railway was concerned, this agreement was almost similar to the provisions of the agreement concluded by the Peking Government. The only difference was that while the Peking agreement remained silent regarding the period of concession of the Chinese Eastern Railway, the Mukden agreement provided that the time limit as stipulated in Article XII of the contract for the construction and operation of the Chinese Eastern Railway of September 8th, 1896, should be reduced from eighty to sixty years. Regarding the redemption of this railway, the Peking Agreement simply provided that "China may redeem the railway at some future time," but the Mukden Agreement distinctly provided that China should obtain possession of the railway and appurtenant property without compensation at the expiration of sixty years. According to this Mukden Agreement, the Governing Board of the Chinese Eastern Railway was reorganized with the appointment of directors and managers by the Soviet and the Mukden Governments.

14 Sino-Soviet Joint Management of C. E. R.

The operation under Sino-Soviet management of the Chinese Eastern Railway during the past few years has unfortunately not worked smoothly. When meetings of the board of directors were called to consider important questions, the Russian members consistently absented themselves, thus preventing the necessary quorum of seven, and practically leaving the full control of the railway in the hands of the Russian general manager, which often irritated the Chinese members. These tactics, however, were designed to protect Russian interests against the ever-extending demands made by the Chinese authorities, dominated as they were by the new spirit of the republic expressed in the phrase "recovery of sovereign rights." In January, 1926, when the general manager of the Railway, Mr. Ivanov, refused to

transport Chang Tso-lin's soldiers without receiving advance payment of fares at half the regular rates, as prescribed in the Agreement of 1896, he was arrested. The Soviet Government promptly issued an ultimatum, giving the Chinese three days to reconsider their act, and Mr. Ivanov was released. In the following month, the Russian Municipal Councils at Harbin and other sections in the Railway Zone were abolished and replaced with local Chinese administrations. In September the Chinese authorities took possession of the river flotilla of the Chinese Eastern Railway on the Sungari, as well as the offices and other shipping facilities on land. Subsequently the educational administration maintained by the Company in the Railway Zone was also taken over by the Chinese authorities. Immediately before the Chinese police authorities raided the Soviet Consulate in Harbin on May 27, 1929, the Soviet was pressed with several serious demands: the Russian chief of the Commercial Department, who does all the purchasing for the Railway, and the chief of the Accounting Department were to be replaced by Chinese; the telephone and telegraph system in the Railway Zone was to be incorporated in the Chinese system; all lands controlled by the Company in the Railway Zone were to be returned to China; and the mines and forests owned by the Company should be surrendered to China. The police raid on the Soviet Consulate initiated a sort of feud, which developed into a serious dispute between China and the Soviet Union, lasting more than half a year and seriously affecting the Chinese Eastern Railway, the great highway linking Europe with the Far East. Fuller details of this dispute will be given later.

15 The Japanese in Manchuria

Setting aside Japan's relations with the tribal kingdoms of Manchuria in ancient times, Japan did not come politically into direct contact with this region until the war with China broke out in 1894, as the result of a controversy over the question of Korean independence. The Japanese armies occupied the southern portion of Mukden Province in Manchuria from the Yalu River to the Liao River at Newchwang in their campaign of half-a-year. After the fall of Port Arthur and Weihaiwei, when the Japanese Army and Navy concentrated at the mouth of the Gulf of Pechihli and were ready for a direct attack on Peking, Viceroy Li Hung-chang visited Japan to seek peace, and the Treaty of Peace was signed at Shimonoseki on April 17, 1895. By the Shimonoseki Treaty, China, among other things, ceded to Japan in perpetuity all the territory south of a line drawn from the mouth of

the Yalu to Yingkou (Newchwang) through Feng-huang and Haicheng, commonly known as the Liaotung Peninsula, covering the area of about 10,582 square miles. Russia, seeing in this a check to her own ambitious designs, obtained the co-operation of Germany and France, and the Asiatic squadrons of the three powers were concentrated in North China waters. The three Powers "advised" Japan, "in a spirit of cordial friendship," to restore the Liaotung to China. As the Japanese naval forces, after their struggle with China, were unable to cope with the squadrons of the three Powers, the only practical step was to accept the advice of the allies and surrender the newly-acquired territory.

16 After the Sino-Japanese War

Although the legitimate fruits of war were thus snatched from Japan by the intervention of the European Powers, Japan through the Shimonoseki Treaty took a significant step in the direction of opening China to world commerce, particularly by securing access to new ports and waterways extending into the interior, especially in the Yangtze Valley. Foreigners were also privileged by the new agreement to "engage in all kinds of manufacturing industries in the open cities, towns and ports in China." Newchwang, opened early in 1861 in accordance with the Tientsin Treaty, was then the only port opened to foreign trade in Manchuria. Japan's trade through this port was insignificant until after the Sino-Japanese war. Japanese soldiers and civilian traders attached to the Army returned from Manchuria with keen appreciation of the commercial value of the Manchurian bean and bean-cake — bean for foodstuff manufacture and bean-cake for Japanese rice-field fertilizer. The export market for the latter had hitherto been limited to South China, where it was used in the sugar plantations as fertilizer. Just about this time, Japanese farmers were greatly handicapped by the high cost of fish fertilizer, which they had been using for generations past. Japanese purchases of bean-cake increased so rapidly that they exceeded the total export to South China by 1899. Japan's increasing purchases of this product naturally stimulated the gradual increase of the import of Japanese staple goods into Manchuria.

Prior to the Russo-Japanese war, the foreign trade of Newchwang was carried on chiefly by Japan, Great Britain, and the United States. While Japan was the heaviest of purchaser of Manchurian products, the United States and Great Britain were the largest importers of cotton goods. The table below shows the trade at Newchwang for 1903. Although the figures showing the shares of Great Britain and the

United States in the Customs returns seem rather negligible, the greater percentage of 14,786,056 Hk. Tls. under the heading of "foreign goods imported from other Chinese ports" were cotton goods imported chiefly from the United States and Great Britain.

Countries	Import	Export
Japan	2,466,002 Hk. Tls.	9,374,320 Hk. Tls.
Hongkong	2,972,368	695,023
Great Britain	46,842	12,674
U. S. A.	10,850	—
Other Countries	254,933	96,946
Total	5,750,995	10,178,963
Foreign Goods imported from other Chinese ports (indirect)	14,798,056	
Chinese Goods	7,330,611	9,802,626
Grand Total	27,879,662	19,981,589

17 Russo-Japanese War and the Treaty of Portsmouth

During the Boxer trouble in 1900, Russian troops occupied the port of Newchwang and city of Mukden, and the civil administration of the former was conducted by the Russian Consul. The Shanhaikwan-Newchwang-Hsinmintun Railway, built with a loan furnished by the Hongkong and Shanghai Banking Corporation (a British institution), was held by Russian troops from the end of September, 1900. While the peace negotiations between China and the Allies were being conducted at Peking, the Peking correspondent of The Times (London) reported, in the issue of January 3, 1901, a "Manchurian convention" by which all foreigners, save Russian, would be excluded from trade in Manchuria. The Russian movement in Manchuria gave occasion for alarm to the trading nations, particularly Great Britain, Japan, and the United States. One of the chief aims of the Anglo-Japanese Alliance, concluded on January 3, 1902, was to counteract the Russian penetration into Manchuria. Somewhat influenced by the Anglo-Japanese Alliance, and by the representations of other Powers, Russia, by the Convention of April 8, 1902, modified her demands in respect of Manchuria and promised to evacuate the territory. Russia seemed faithful to the undertaking in the beginning, but she not only failed to carry out her promise, but renewed her activities in the spring of 1903, and demanded in return for evacuation a series of new conditions, which Japan regarded seriously as a disregard of the principle of equal opportunity for the commercial nations and an infringement of Chinese sovereignty. The Japanese were further provoked by the movement of Russian troops in Manchuria and the northern part of Korea, and by the Russians strengthening

their naval forces in the Far East. In Korea, Japan had been politically and economically much concerned with Russia after the Sino-Japanese war. Japan, however, approached Russia directly in an attempt to settle the questions at issue in Manchuria and Korea by treaty negotiations, which started in June, 1903. After procrastinating pourparlers, Japan, gradually realizing that Russia was utterly insincere as to a diplomatic settlement, was compelled, on February 5, 1904, to take independent action to safeguard her "established rights and legitimate interests," which resulted in the Russo-Japanese war.

After a campaign of less than one year and a half, the Japanese Army again occupied South Manchuria, but this time as far north as Changchun. Through the mediation of the President of the United States (Mr. Roosevelt), a Treaty of Peace was finally concluded between Japan and Russia, on September 5, 1905, at Portsmouth, New Hampshire. In the Russo-Japanese war Japan sacrificed 120,000 lives and incurred expenditure of 2,000,000,000 yen. During the negotiations, Japan asked Russia for "reimbursement" of the cost of the war, instead of an "indemnity," but this was refused, and only 100,000,000 roubles were paid to meet Japan's expenses in caring for Russian prisoners of war. Russia, by the Portsmouth Treaty, transferred to Japan her lease of the Kwantung Province, the railway between Port Arthur and Kwangchengtzu (Changchun) and its branches, and the coal mines along the railway, as well as various rights appertaining thereto. Soon after his return to Japan, Baron (later Marquis) Komura, the Japanese plenipotentiary at the peace negotiations, proceeded to Peking "to obtain the consent of the Chinese Government." The Treaty of Peking, signed on December 22, 1905, approved the above-mentioned transfers to Japan. By an additional agreement, China also gave Japan "the right to maintain" and "improve the military railway line between Antung and Mukden" which had been built during the war by the Japanese troops, so as to make it "fit for the transport of the commercial and industrial goods of all nations." By a protocol appended to this treaty, China pledged herself to Japan "not to construct any main line in the neighbourhood of and parallel to" the South Manchuria Railway, "or any branch line which might be prejudicial to the interest of the above-mentioned railway."

18 Post-Bellum Policy of Japan

Prior to the Russo-Japanese war, the maintenance of the Open Door policy in Manchuria was one of the important issues in Japan's

contest with Russia, and it was most natural that when peace came Japan and Russia should agree to uphold this policy. By an agreement supplementary to the Peking Treaty of 1905, Japan caused China to open nineteen important cities and towns in Manchuria, such as Liaoyang, Hsinmintun, Tiehling, Kirin, Harbin, Tsitsihar, Aigun, and Manchuli. In view of Japan's declared policy of the maintenance of equal opportunity for all nations and the territorial integrity of China, the development of Manchuria through Japanese enterprise, it was realized, would be a most complicated and delicate matter, and a commission on Manchurian Post-bellum Enterprise was officially appointed on Nov. 16, 1905, for the special study of the subject. The commissioners were the Prime Minister, Marquis (now Prince) Saionji; the Chief of the General Staff, Baron (later Count) Kodama, and other heads of departments concerned. Marquis Saionji paid a visit to Manchuria, after which the commission laid down fundamental principles: to maintain Chinese sovereignty and equal commercial opportunity; to encourage joint enterprises of Japanese and Chinese; and to supersede Japanese military administration by civil administration as quickly as possible. The policy formulated by the Post-bellum Enterprise Commission was approved in Tokyo on May 22, 1906, at a Council of Cabinet Ministers and Elder Statesmen before the Imperial Throne.

Two important steps were rapidly taken by Japan in South Manchuria. By Imperial Ordinance promulgated on June 7, 1906, the South Manchuria Railway Company was called into being, and the newly-acquired railway operated by the Japanese military authority was transferred to the management of this joint-stock corporation; the second step was the establishment of the Government-General of Kwantung by Imperial Ordinance promulgated on July 30, the same year. The military administration in the Leased Territory hitherto conducted by the Japanese Army authorities was converted into a civil administration under the Governor-General.

While Japan was preparing to restore the administrative entity of China and to open Manchuria to foreign trade, the foreign business communities, especially the British and American merchants at Shanghai, who were impatient to resume commercial activities in the late war area as soon as the Russo-Japanese war had ceased, complained to their Governments, alleging (1) that Japanese goods, having free entry to Manchuria through Dairen, where there was no Chinese Customs office, enjoyed a great advantage over the goods of other nationals, who had to send their goods through Newchwang and pay duty; (2) that the Customs house at Newchwang being in the hands of the Japanese

military administration, Japanese officers discriminated in favour of the merchants of their own nation; (3) that the Japanese military bridge over the Liao River hindered water traffic at Yingkou (Newchwang) and naturally gave an advantage to Japanese railways; and so on. These complaints, although perhaps exaggerated, may have had some basis in fact. It should not be forgotten, however, that Manchuria could remain, as the Portsmouth Treaty provided, under the military administration of Japan and Russia until the end of March, 1907, if so desired.

Japan, however, was very sensitive in the matter of restoring Manchuria to Chinese administration, and with it establishing the Open Door policy, so much discussed at that time. In the middle of June, 1906, a commission headed by Mr. Yenjiro Yamada, Director of the Political Bureau of the Foreign Office, was sent to China. The special mission was said to have been instructed to arrange, according to the conclusion arrived at by the Council of Elder Statesmen and Cabinet Ministers, held on May 22nd, for replacing the Japanese military administration by a Chinese civil administration. This mission was understood to involve the question of the opening of Dairen, as well as Customs matters connected therewith. As soon as the Chinese administration was restored, the Customs station at Newchwang was to be handed over to the Chinese authorities and the Japanese military bridge over the Liao River removed. The preliminary agreement relating to the restoration of Newchwang was signed at Peking on October 2nd. By the final memorandum, signed on December 5th, the Japanese military administration was withdrawn on the next day and all Customs administration was promptly handed over to the Chinese authorities. Sanitary undertakings and other public works initiated during the Japanese military *régime* were turned over to the Chinese authorities without radical change.

The Japanese Government gave notice to the Powers, on August 22, 1906, that the port of Dairen would be established as a free port on September 1st proximo. An agreement was signed at Peking, May 30, 1907, by which a Chinese Customs office was established at Dairen on July 1st, and merchandise brought by sea to Dairen was to enter free of import duty, but was to be levied on by the Chinese Customs if the merchandise was intended to pass the boundary of the Leased Territory, the Japanese sphere, and so reach the interior of Manchuria.

19 Controversial Questions

It may be regarded as to some extent unfortunate that Japan in the course of her peaceful undertakings in Manchuria, was occasionally

involved in controversies with the Chinese authorities, and that these frequently concerned, though in lesser degree, British and American nationals and their interests in regard to the railway concessions. Disputes concerning the Hsinmintun-Fakumen Railway concession, the Antung-Mukden Railway, the Chientao question (Chinese-Korean boundary controversy), Secretary Knox's proposal to internationalize the railways in Manchuria, etc., occurred at different periods.

In 1907, China was about to give a British firm, Pauling and Co., a concession to finance the construction of a fifty-mile railway from Hsinmintun to Fakumen, with the ultimate right to extend it to Tsitsihar, four hundred miles further north, on the Chinese Eastern Railway. Japan repeated friendly warnings against this concession as constituting a violation of a provision of the protocol attached to the Peking Treaty of 1905, by which China agreed not to construct any line "in the neighbourhood of and parallel to the South Manchuria Railway." When the contract for this concession was signed in November, Japan promptly opposed it. In February, 1908, Japan proposed a compromise, engaging to endorse the Chinese plan if China would consent to extend the line to Tiehling, or some other suitable point on the South Manchuria Railway. China refused to accept this, and suggested that the question be referred to The Hague Tribunal. Japan declined to agree to this solution, and thus there was a deadlock. Meanwhile a report of Sir Valentine Chirol, director of the Foreign Department of The Times, who visited Japan in the spring of 1909, modified public opinion on this question in England, and China abandoned the scheme.

The Antung-Mukden Railway controversy took place in 1909, when the South Manchuria Railway Company commenced, in January, to convert the narrow-gauge line to one of standard gauge, the right to do which was given to Japan by the protocol appended to the Peking Treaty of 1905. After several months' negotiation, Japan was still unable to secure agreement from the Chinese, and finally she sent to China, on August 6, 1909, an ultimatum announcing that independent action would be taken in carrying out the work of reconstruction according to what the Japanese Government conceived to be its treaty rights.

Another question which for several years caused controversy between Japan and China concerned the Korean boundary, involving the Chientao District lying on the north or right bank of the Tumen River. The possession of this district, covering an area of some 1,550 square miles, with a population of 82,999 Koreans and 27,371 Chinese in 1909, was a subject of dispute for many years. In the years 1885 and 1887,

respectively, "Boundary Commissions" were despatched to the district by the Korean and Chinese Governments, with a view to solving the frontier problem, but they failed to reach a conclusion. As time went on, maltreatment of Koreans by the Chinese authorities became acute. Furthermore, the Koreans were always exposed to attacks from Manchurian bandits, and they constantly asked their Home Government for protection. Following the establishment of the Japanese Protectorate in Korea, the Japanese Government entered into negotiations with the Chinese Government.

These controversial questions became more and more acute, with unpleasant effects upon Sino-Japanese relations. The two Governments, recognizing the vital importance of maintaining permanent peace in the Far East, finally came to an understanding, and a memorandum relating to the Antung-Mukden Railway was signed on August 19, 1909, by which China recognized Japan's right to reconstruct the Antung-Mukden Railway, substituting the standard gauge. A few days later, two conventions were concluded, on September 4. One of these was called the "Convention relating to Manchuria," and the other the "Convention relating to Chientao."

By the first, China engaged previously to consult Japan on questions of railway extension, where the interests of the two countries were likely to conflict, as in the case of the proposed Hsinmintun-Fakumen Railway. The other pending questions, such as a branch line of the South Manchuria Railway from Tashihchiao to Yingkou, Mukden Station, and the coal mines of Fushun, Yentai, etc. were settled satisfactorily to both Governments. By the convention relating to Chientao, Japan waived Korea's long-standing claim to Chientao District and recognized China's territorial sovereignty in this region. Through this convention, Japan caused China to open four towns in Chientao to international trade and residence, which was further evidence of Japan's faithfulness to the principle of the "Open Door" in Manchuria. Japan also took the initiative in withdrawing her extraterritorial jurisdiction in China by recognizing Chinese law and jurisdiction over the Koreans residing within the Chientao District.

20 Treaties and Notes of 1915

By the terms of the Anglo-Japanese Alliance, Japan was promptly brought into the Great War. On August 15, 1914, she advised Germany to surrender Tsingtao, for eventual restoration to China, and, when the ultimatum expired on the 23rd, without any response from Germany,

war was declared. After two months' operations, Tsingtao was surrendered on November 7th. The Japanese Navy continued to police the Pacific and Indian Oceans, and the Mediterranean Sea; convoyed Australian troopships to Egypt, and assisted in driving von Scheer's German squadron down the Chilean coast. Soon after the surrender of Tsingtao to Japan, China demanded the withdrawal of the Japanese Army from the German railway between Tsingtao and Tsinan, the capital of Shantung. Japan refused to leave until after the European war was over, and the disposition of the German rights had been settled by a treaty of peace. When China independently proclaimed the revocation of the war zone on January 7, 1915, general disappointment was aroused in Japan, since this action was contrary to the popular expectation of Chinese appreciation. Japan, however, in order "to adjust matters to meet the new situation created by the war between Japan and Germany, to define Japan's special position in Manchuria and Inner Mongolia, and adjust other pending questions," had determined to approach China with a view to concluding treaties on specific subjects. These were divided into five groups. Group I concerned the Shantung settlement; Group II dealt with the recognition of Japan's special interests and position in South Manchuria and Eastern Inner Mongolia; Group III was directed to safeguarding Japan's interest in the Han Yehping Company; Group IV was designed to emphasize China's territorial integrity; Group V represented certain proposals of Japan respecting Japanese advisers for the Chinese Central and Local Governments.

The negotiation of these proposals, or, as they were ironically called, the "Twenty-one Demands," commenced on January 18, at Peking, and two agreements relating to the first and second groups were signed on May 25. By the treaty and notes exchanged respecting South Manchuria and Eastern Inner Mongolia, the Chinese Government agreed to the following conditions:—

1. The extension of the term of lease of Port Arthur and Dairen and the terms of the South Manchuria Railway and the Antung-Mukden Railway to 99 years.

2. Permission for Japanese subjects to lease lands and to enter, travel, and reside in South Manchuria for trade, manufacture, and agriculture.

3. The opening of more towns in Eastern Inner Mongolia to international trade.

4. Recognition of joint enterprises of Japanese and Chinese in agricultural and auxiliary industries in Eastern Inner Mongolia.

5. To call first on Japanese capital, if China should propose to build railways in Manchuria and Eastern Inner Mongolia through foreign loans,

or to raise foreign loans by mortgage of the taxes in these regions.

6. Opening of nine mining districts in Manchuria to Japanese enterprise.

7. Preference given to Japanese in case China should employ foreign advisers or instructors in political, financial, military, and police matters in South Manchuria.

8. China's promise to revise the Kirin-Changchun Railway Agreement according to the most-favoured nation agreements concluded or to be concluded with other nationals.

With regard to the extension of the leaseholds in Manchuria, it was natural that Japan should claim the term of 99 years which was granted by China to most of the foreign leaseholders. It was still more to be expected that Japan should ask China for an extension of the term of her railways in South Manchuria, so long as the term of the Chinese Eastern Railway of Russia remained at eighty years.

21 Japanese Loans to China

Before the European war, China had been financed largely by British, and some German, French, and American capital. After the outbreak of war, China was in serious need of funds, and Japan and the United States were the only countries which could furnish capital. During the ministry of Count Terauchi, 1916–18, quite large sums were loaned to China principally through the three Japanese chartered banks, amounting in gross to 177,000,000 yen, as shown by the following table:—

	Purpose of Loan	Date of Contract	Amount
1.	Bank of Communications Readjustment...	Sept. 28, 1917	¥20,000,000
2.	Chihli Province Flood Relief	Nov. 22, 1917	5,000,000
3.	Telegraph Administration Improvement...	Apr. 30, 1918	20,000,000
4.	Kirin-Huining Railway.....	June 18, 1918	10,000,000
5.	Kirin and Amur Provinces Forest and Mining	Aug. 2, 1918	30,000,000
6.	Four Railways Loan in Manchuria and Mongolia.....	Sept. 28, 1918	20,000,000
7.	Shantung Railway	„ „ „	20,000,000
8.	Arms and Ammunition	„ „ „	32,000,000
9.	War Participation.....	„ „ „	20,000,000
	Total		177,000,000*

* These loans are outstanding with the exception of the Chihli Province Flood Relief Loan.

22 Railway Loan Agreements

Of the above-mentioned loans by Japan to the Chinese Government during 1917–18, two were furnished for the construction of railways in Manchuria and Inner Mongolia.

At the time of the establishment of the Republic, the Government at Peking under President Yuan Shih-kai was anxious to obtain recognition of the new Republic from the foreign Powers, and also realized the national financial incapacity. This caused China, during 1912–1914, to conclude railway loan agreements with Belgium, Germany, Great Britain, Japan, and the United States. On October 5, 1913, by an exchange of Notes, the Chinese made an agreement relating to a plan of co-operation with Japan with particular reference to loans for constructing five railways in Manchuria and Inner Mongolia. China then agreed to a loan from Japanese capitalists for the construction of the following railways:

a. Ssupingkai to Taonanfu, with a branch line to Paiyintala.
b. Kaiyuan to Hailungcheng.
c. Changchun to Taonanfu.

China further agreed that if, in the building of the following two lines, foreign capital should be needed, negotiations should first be entered into with Japanese capitalists:

d. Taonanfu to Jehol.
e. Kirin to Hailungcheng.

In connection with the Five Railways Loan agreement made in 1913, construction work on the line from Ssupingkai, via Chengchiatun, to Taonanfu was started in April, 1917, by the Chinese Government with funds furnished by the South Manchuria Railway Company and a loan floated by the Yokohama Specie Bank, to which Americans and Europeans were also subscribers.

By an agreement relating to railway loans in Manchuria and Inner Mongolia, signed on September 28, 1918, funds for the construction of the following four railways were to be furnished by a syndicate of three Japanese chartered banks:

a. From Kirin to Kaiyuan via Hailungcheng ..... 230 miles
b. From Changchun to Taonan ..... 180 „
c. From Taonan to Jehol .... 470 „
d. From a point on the Taonan-Jehol Railway to a seaport 220 „

The priority right for furnishing loans to the Kirin-Hailungcheng line and the Taonan-Jehol line provided for in the exchange of Notes of 1913 was decided definitely in favour of Japanese capital according

to the Agreement of 1918. By this agreement the Taonan-Jehol line was to be extended to a seaport. These lines, totaling over one thousand miles, were to cost more than 75,000,000 yen, of which the Japanese syndicate advanced 20,000,000 yen.

By another Railway Loan agreement, signed on June 18, 1918, the Kirin-Huining (Kainei) line was to be constructed with funds furnished by a syndicate of three Japanese chartered banks. An advance of 10,000,000 yen was made when this agreement was signed. This line was to connect the Kirin-Changchun Railway with the Korean Government railway at Huining, or Kainei, on the Japan Sea coast of Korea.

23 Ishii-Lansing Agreement

The special interests of Japan in Manchuria were recognized by France, Russia, and Great Britain during the years 1907 and 1911 in their respective conventions and treaties with Japan. Shortly after the United States entered into the European war, the Japanese Government, in the summer of 1917, sent a special mission, headed by Viscount Ishii, formerly Minister for Foreign Affairs, to congratulate the United States on her decision to enter the war and to make some arrangement for co-operation between the two countries. One of the most significant events of this visit was the exchange of Notes with Secretary Lansing. By these notes the "Government of the United States recognizes that Japan has special interests in China, particularly in the part to which her possessions are contiguous." "The part to which her possessions are contiguous" undoubtedly referred to Manchuria, to which Korea is contiguous. The two Powers also pledged themselves to observe the principles of the independence and territorial integrity of China and the "Open Door," as Japan had done with France, Great Britain, and Russia by separate conventions with these Powers. This exchange of Notes removed certain misunderstandings which had existed between the two Powers, and paved the way to the gradual development of mutual co-operation in commerce and industry in the Far East. Several months later, another mission, called the Finance and Economic Commission, was sent to the United States. The chief commissioner, Baron Megata, suggested the joint co-operation of America and Japan in the commerce of the Far East, particularly in China. The Ishii-Lansing Agreement and the Anglo-Japanese Alliance, however, were revoked soon after the Washington Conference.

24 Versailles Treaty

The world war was ended by the Armistice Treaty signed on November 11, 1918. On January 18, 1919, the delegates of the Allied and Associated Powers assembled at Versailles to formulate the terms of peace which would be presented to Germany and her Allies. Among many other desiderata, China sought the abrogation of the Japanese Treaties of 1915, so far as these concerned Manchuria, restoration of the leased territories, restoration of foreign concessions and settlements, abrogation of foreign spheres of influence, withdrawal of all foreign troops and police, etc. These Chinese claims, however, had small direct concern with the purpose of the Conference, which was to formulate the terms of a treaty of peace with Germany, and they were, therefore, not taken into serious consideration.

25 Financial Consortium

On October 15, 1920, the new Consortium Agreements, to finance China, were signed by the banking group representing France, Great Britain, Japan, and the United States. Historically speaking, the first consortium initiated by Mr. Willard Straight, representing certain American banking interests, was organized on April 15, 1911, when various banks of France, Germany, Great Britain and the United States were to provide China with funds to the amount of £10,000,000 for the reform of China's currency and for initiating certain industrial enterprises in Manchuria, by means of a loan agreement. This agreement was kept secret until its text prematurely appeared in the Peking and Tientsin Times. Article XVI, providing for the priority of this Consortium in case foreign capital should be invited "to participate with Chinese interest in Manchurian business under this loan or to be undertaken in connection therewith," caused much popular ill-feeling in Russia and Japan. This article, it was explained, was not to be construed as being inimical to the special interests of Japan and Russia. This agreement, however, was never carried into effect, owing to the fall of the Manchu Dynasty. When the Inter-Bank Conference was held in June, 1912, in Paris, Japanese and Russian banks joined the Four Powers' Consortium, but with the reservation that the Japanese and Russian groups would withdraw from the agreement if the proposed business should appear to prejudice their interests in Manchuria and Mongolia. From this Six Powers' Consortium the American group withdrew in 1913. With the outbreak of the European War, the German group was forced to

withdraw. On October 8, 1918, the United States Government, recognizing "the change in our international relations, both diplomatic and commercial, brought about by the war," proposed to Great Britain, France, and Japan the formation of a new consortium to render assistance to China. While these Governments were exchanging notes on the proposal, the bankers of the four Powers involved met in Paris to discuss terms. Mr. Thomas W. Lamont, of J. P. Morgan & Co., who was in Paris as financial adviser to the American delegation to the Peace Conference, took a leading part in the bankers' conference as representative of the American group. In May, 1919, the conference drafted a preliminary agreement. Japan was quite ready to agree to the American plan, but proposed that "all rights and options held by Japan in the regions of Manchuria and Mongolia where Japan had special interest," should be excluded from the scope of the Consortium, maintaining that "this is based on the very special relations which Japan enjoys geographically and historically with the regions referred to, and which have been recognized by France, Great Britain, the United States, and Russia on various occasions." The United States and Great Britain opposed the Japanese reservation regarding Manchuria and Mongolia. After protracted negotiations, Mr. Lamont, with the approval of his Government, went to Tokyo, where a compromise was reached which was accepted by all the Powers involved. Based on this compromise, Notes were exchanged between the representatives of the Japanese and American groups on May 11, 1920, the main items being as follow:—

1. That the South Manchuria Railway and its present branches, together with the mines which are subsidiary to the Railway, do not come within the scope of the Consortium;

2. That the projected Taonanfu-Jehol Railway and the projected railway connecting a point on the Taonanfu-Jehol Railway with a seaport are to be included within the terms of the Consortium Agreement;

3. That the Kirin-Huining (Kainei), the Chengchiatun-Taonanfu, the Changchun-Taonanfu, the Kaiyuan-Kirin (via Hailung), the Kirin-Changchun, the Hsinminfu-Mukden, and the Ssupingkai-Chengchiatun Railways are outside the scope of the joint activities of the Consortium.

26 Washington Conference

The Washington Conference was in session from November 12, 1921, to February 6, 1922. The conference dealt with questions of

armament and the Far East, and the Chinese, again, as at the Peace Conference, strongly demanded *inter alia* the withdrawal of foreign troops, annulment of foreign leaseholds, and the cancellation of the Treaties and Notes of 1915 concluded or exchanged with Japan. On November 29, Mr. Alfred Sze, a Chinese delegate, before the Committee on Pacific and Far Eastern Questions, demanded that all unauthorized foreign troops, police, and foreign telegraph and wireless systems should be withdrawn from Chinese soil. Mr. Hanihara, a Japanese delegate, replied clearly by stating that while Japan was willing to withdraw her troops from China proper as soon as conditions warranted, it was impossible for Japan "to forego the right, or rather duty, of maintaining railway guards in Manchuria, whose presence is duly recognized by treaty." At the meeting on December 3rd of the same Committee, Mr. Koo, a Chinese delegate, demanded the annulment and termination of the foreign leaseholds, referring specially to the Japanese leaseholds in Manchuria and Kwantung Province, including Port Arthur and Dairen. To this Mr. Hanihara promptly answered that "Japan has no intention at present to relinquish the important rights of the leaseholds which she has acquired lawfully and at no small sacrifice."

At the meeting on December 14, Mr. C. H. Wang, another Chinese delegate, urged that "the Treaties and Exchange of Notes of 1915" be "reconsidered and cancelled." To this Mr. Hanihara responded that if there be "a question of the validity of the Treaty or Agreements of 1915, or the change or abrogation thereof," he believed that "this question was one to be taken up between Japan and China, if it were to be taken up at all, and not at this conference." At the meeting on February 2, before this question was brought up, Baron Shidehara, a Japanese delegate, made a statement in the form of a declaration. The statement observed, with regard to the procedure of the Chinese delegation on this question, that the Japanese delegation, while appreciating the difficult position of the Chinese delegation, did not feel at liberty to concur in the procedure taken by China "with a view to cancellation of an international engagement which she entered into as a free sovereign nation." It also stated that "if it should once be recognized that rights solemnly granted by treaty may be revoked at any time on the ground that they were conceded against the spontaneous will of the grantor, an exceedingly dangerous precedent will be established, with far-reaching consequences upon the stability of the existing international relations in Asia, in Europe, and everywhere."

The statement further continued that as changes had taken place

in the situation since the conclusion of the Sino-Japanese Treaties and Notes of 1915, the Japanese Delegation made the following declarations so far as Manchuria was concerned:

1. Japan is ready to throw open to the joint activity of the International Financial Consortium recently organized, the right of option granted exclusively in favour of Japanese capital, with regard, first, to loans for the construction of railways in South Manchuria and Eastern Inner Mongolia, and, second, to loans to be secured on taxes in that region. But it is understood that this declaration by no means affects the understanding arrived at by the exchange of Notes in connection with the Consortium Agreement of 1920.

2. Japan has no intention of insisting on her preferential right under the Sino-Japanese arrangements in questions concerning the engagement by China of Japanese advisers or instructors in political, financial, military or police matters in South Manchuria.

Baron Shidehara concluded the statement by saying that in coming to this decision, "Japan has been guided by a spirit of fairness and moderation, having always in view China's sovereign rights and the principle of equal opportunity."

27 Construction of Railways for Chinese

With the view to developing agriculture and industry in the vast arable area of Eastern Inner Mongolia contiguous to Manchuria and to developing the lumber industry in the wooded areas of Kirin Province, the Communications Committee of the Government of the Three Eastern Provinces contemplated the building of additional railways. Subsequently the Government determined to establish more effective communication between the capitals of the three provinces. A contract to construct the Taonan-Angangchi Railway, covering a distance of 143 miles, in order to connect with Tsitsihar, the capital of Amur Province, across the Chinese Eastern Railway at Angangchi, and to connect with the South Manchuria Railway line at Ssupingkai, via the Taonan-Ssupingkai Railway, was made with the South Manchuria Railway Co. The construction work was commenced in June, 1925, and completed in July, 1926. It was provided that if the Chinese Government should fail to pay the expense of construction within one year after the completion of the construction work, the amount involved should be converted into a railway loan. Another line constructed under contract with the South Manchuria Railway Co. is the Kirin-Tunhua line, covering 130.4 miles, a part of the Kirin-Huining line of 260 miles, which is to be connected with the Korean railway at Huining. As already stated, the whole construction fund for building the Kirin-Huining (Kainei) line, according to the preliminary agreement, should have

been furnished by three chartered banks of Japan, and 10,000,000 yen was advanced to the Chinese Government at interest of 7½ per cent. Owing to political turmoil and frequent changes of government in China, the construction of this railway has not yet been carried out. Meanwhile, a narrow-gauge railway (2 ft. 6 in.), running 69 miles between Huining, on the Korean side, and Tienpaoshan, was promoted as a joint undertaking of the Chinese Government and Japanese private individuals, and its construction was completed in 1924. By an agreement signed on December 24, 1926, the Kirin-Tunhua line, running 130 miles west of Kirin towards Korea was built for China by the South Manchuria Railway Co. as the contractor at a cost of 24,000,000 yen. Construction was started in June, 1926, and was completed in October, 1928. As in the case of the Taonan-Angangchi Railway, it was agreed that if the cost of this railway should not be paid within one year after the completion of construction, the amount should be converted into a railway loan. Of the Kirin-Huining Railway of 260 miles, the 130 miles of the Kirin-Tunhua line and 69 miles of light railway from the Korean side to Tienpaoshan have thus far been completed, and about 60 miles separate the two railheads.

28 Japanese Investments in Manchuria

Japanese investments in Manchuria and Eastern Inner Mongolia, particularly since the establishment of the South Manchuria Railway Company, have been immensely increased, and aggregated over 1,687,000,000 yen on March 31, 1930. The table below gives details of capital investments.

If the Government property owned by the Kwantung Government and the Japanese Army, the annual grant from the Home Government for the last 23 years, private property owned by Japanese residents in Manchuria, etc. — aggregating in all 460,000,000 yen — be added, the total investment of Japan in Manchuria today amounts to 2,147,000,000 yen.

JAPANESE INVESTMENTS IN MANCHURIA

(March 31st, 1930)

Investors	Items of Investment		Amount (Yen)
South Manchuria Railway Company	Direct Undertakings	Railways	261,882,378
		Railway Workshops	6,503,989
		Harbours and Wharves	78,093,974
		Coal Mines	112,276,860
		Oil Shale Plant	8,961,174
		Iron Works	27,127,139
		Chemical Fertilizer Manufacturing Plant	47,235
		Sanitation	15,066,471
		Education	13,679,817
		Municipal Undertakings	143,767,667
		Others	48,794,813
		Total	716,201,517
	Securities of affiliated Companies and Public Bonds		94,226,837
	Loans to Chinese Railways and for Encouraging Industries		69,265,704
	Cash Advanced for Contract Construction of Chinese Railways, Deposits, Uncollected Credits, etc.		154,899,600
	Total		318,392,141
Japanese Government	Loans to Chinese Government		98,730,823
Japanese Corporations	Loans to Chinese Government and Individuals		20,282,080
Japanese Corporations	Capital Funds invested by Corporations		439,003,410
Japanese Individuals	Capital Funds invested by Individuals		94,991,560
	Total		554,277,050
Grand Total			1,687,601,531

29 Recent Events in Manchuria

In Manchuria, a state of enduring peace and order being, fortunately, comparatively well maintained, the development and progress effected in this region during the last quarter century following the Russo-Japanese war were by no means inconsiderable; while revolution, civil war, and other political disturbances were unfortunately as frequent in China proper, after the establishment of the Republican *régime*, as at any time in the past. Yet Manchuria in recent years was not free from political and other events. Chang Tso-lin's retreat from Peking, Chang Hsueh-liang's succession to the position of leadership in Manchuria, the Sino-Russian

dispute on the Chinese Eastern Railway, and other disturbances came in succession, but without serious effect on the general progress and prosperity of the Manchurian area. The civil war in China proper, though it was suspended for eight months upon the withdrawal of Chang Tso-lin's army from Peking and Tientsin, broke out afresh in 1929 in the Yangtze Valley, and developed in May, 1930, into the great war between General Chiang Kai-shek of the Nanking Government, and the allied armies of General Yen Hsi-shan and Marshal Feng Yu-hsiang. Both the contesting parties sought the support of Marshal Chang Hsueh-liang, of Mukden, who held the balance of power. But through the able policy of Chang Hsueh-liang, Manchuria was not actually involved in the conflict, which ended in the autumn in the defeat of the allied armies and the triumph of the National Government.

30 Chang Tso-lin's Retreat from Peking

As stated in the last Report, after Marshal Chang Tso-lin, with his Manchurian army, entered Peking in December, 1926, he established (June, 1927) a military government there, while still holding the Governor-Generalship of the Autonomous Three Eastern Provinces. He seemed to act as the *de facto* ruler of the Republic in North China and Manchuria. But in his last campaign in April and May, 1928 against the coalition of the three armies — the forces of General Chiang Kai-shek and Marshals Yen Hsi-shan and Feng Yu-hsiang — called the Kuomintang Army or Nationalist Army, Chang Tso-lin, without risking a battle for the possession of Peking, finally retreated to Mukden on June 2, after staying at Peking about eighteen months. During the civil war between the North and the South (January, 1927–June, 1928), Japan maintained a neutral attitude. Soon after Baron Tanaka's Cabinet was organized, the Premier, in his capacity of Minister of State for Foreign Affairs, summoned in August, 1927, the Japanese Minister at Peking and the Consuls in China for a conference on the Chinese situation. At the close of this conference the Premier summarized Japan's China policy in the following terms:

1) The Japanese Government thinks it would be unwise to interfere "in the Chinese civil war or in the domestic political quarrels of China."

2) The Japanese Government will "co-operate with other Powers to meet the reasonable demands advanced by such of the Chinese people as entertain moderate ideas as regards China's rehabilitation."

3) If a strong central government be organized "by the coalition

of the Northerners and Southerners, or by factions of certain local origin," Japan will support it with the other Powers, "whether it be established in the North or the South."

4) While Japan will rely upon China's own efforts to control agitators and unruly elements actively engaged in causing trouble, she may, if Japanese lives and property in China be endangered, be forced to take necessary measures for their protection.

5) "Peace and order in Manchuria and Mongolia have a vital bearing upon Japan's national existence and national defence. The Japanese Government, therefore, feels itself responsible for the maintenance of peace and order in these regions, not only in view of Japan's special position there, but also in the interest of China herself."

Thus Baron Tanaka's statement clearly expressed Japan's policy of rendering all possible assistance to China to organize a solid central Government and to promote the national rehabilitation in co-operation with other Powers. Regarding Manchuria and Inner Mongolia, in which Japan has invested so heavily, whence she obtains raw material and foodstuffs, and where the maintenance of peace and order is essential for her national defence, the statement declares that the Japanese Government feels itself responsible for the maintenance of peace in these regions. Civil war again became acute in May, 1928. When the fighting between the Northern and the Southern armies (the latter an alliance of the forces of General Chiang Kai-shek, Marshal Feng Yu-hsiang, and General Yen Hsi-shan) was developing in the direction of Peking and Tientsin, the Japanese Government through its Minister and Consuls handed to the belligerent parties a warning Memorandum (May 18). The Memorandum stated in part that "should the disturbances develop further in the direction of Peking and Tientsin and the situation become so menacing as to threaten the peace and order of Manchuria, the Japanese Government, on its part, might possibly be constrained to take appropriate and effective steps for preserving peace and order in Manchuria." Such steps were to prevent, to as great an extent as possible, the defeated troops or those in pursuit, whether they were Southern or Northern, from entering Manchuria. The reason for this warning lay in the fact that Japan desired, as far as possible, to prevent Manchuria from being involved in the civil war. One day ahead, the representatives of the leading Powers in Tokyo were handed an almost similar statement. It is said that both the Peking and Nanking Governments formally denounced the Japanese course of action, but whether the belligerent parties had exhausted themselves, or whether they observed the Japanese warning, it is a fact that Chang Tso-lin retreated to Man-

churia without risking battle for the possession of Peking and Tientsin, and that the Southern Coalition showed no desire to invade Manchuria. Manchuria was thus once again saved from serious disturbance.

31 Chang Hsueh-liang's Accession to Power

Marshal Chang Tso-lin, in a special car in which he travelled with his staff, left Peking on June 2 in his retreat, and on the 4th, as the train was passing under the railway bridge of the South Manchuria Railway, outside Mukden, his saloon was seriously damaged by an explosion. The Marshal was so severely injured that he succumbed in a few hours. The formal announcement of his death was not made until General Chang Hsueh-liang, his eldest son, was elected on July 2 as Commander-in-Chief of the Peace Preservation Army of the Four Eastern Provinces (now including the Jehol region) at a joint conference of representatives of the Three Eastern Provinces. Simultaneously with his appointment, the new Marshal Chang Hsueh-liang sent a cable message of "peace" to the military coalition of the Nationalist leaders, General Chiang Kai-shek, Marshal Yen Hsi-shan, General Feng Yu-hsiang and others. The Staff Office of the Commander-in-Chief, the highest organ of military affairs, assumed the supervision and conduct of the civil administration in all the provincial districts in Manchuria. On July 19, the so-called "Peace Preservation Committee of the Three Eastern Provinces" was organized. Article II of the Organic Regulations provided that the sovereign rights in each provincial district of the Three Eastern Provinces be vested in the people. This Committee was said to have been replaced on February 9, 1929, by the "Political Committee of the North-Eastern Provinces." The Political Committee, with its seat at Mukden, as provided by the Organic Regulations, is the highest organ for the government and control of the provincial and local governments in Manchuria and the Jehol region; its members number thirteen and are to be persons of high reputation and political experience.

As to the relations of the Government of the Three Eastern Provinces to the National Government at Nanking, these gradually became satisfactory. Soon after Marshal Chang Hsueh-liang succeeded his deceased father, the question arose whether Manchuria should recognize the supreme authority of the Nationalist Government at Nanking. In the latter part of 1929, however, a sort of compromise understanding is said to have been worked out between the Chinese authorities in Manchuria and Nanking, by which the former recognized the authority

of the Nationalist Government but were left in autonomous control of their own affairs, specially in regard to local matters. On December 29, 1928, the new Nationalist flag of the Republic of China was formally hoisted in Mukden.

32 Sino-Soviet Dispute of 1929

As stated in the preceding section, understanding and reconciliation between the Mukden and Nanking Governments were gradually developed. No serious political or military issues arose in Manchuria until the date of the Sino-Soviet dispute, which began on May 27, 1929, when the Chinese Police at Harbin raided the Soviet Consulate-General, seized documents, and arrested some eighty Soviet citizens who were in the building at the time. The Soviet Consular authorities and leaders throughout Manchuria were reported to have held a conference to discuss measures to be taken against the ever-increasing pressure and demands made by the Chinese authorities in the Chinese Eastern Railway Zone.

According to an official Chinese statement, the Chinese action was taken on the ground that the Soviet suspects were attending a propaganda conference of the Third International, participated in, as alleged, by forty-two members of the staffs of Soviet Consulates, including the Consuls-General at Harbin and Mukden, and by thirty-nine important officials of the Chinese Eastern Railway and Soviet organizations in Manchuria. Of the 81 persons under arrest, 39, not including Consular officials, were taken to the police headquarters for detention and examination.

Three days later, the Soviet Government made a formal protest against this Chinese action. But the Chinese authorities took a further step on July 10 and 11, dismissing the Russian general manager, the five directors and other officials of the C. E. R.; arresting many Soviet-Russians; and closing all Soviet organizations including the Oil Syndicate, the Soviet Trade Mission, Labour Union, etc.

It was also reported that Chinese troops were concentrated on the Russian border. The Soviet Government thereupon, on July 13, sent an ultimatum expiring in three days to the Chinese Government, stating that the series of Chinese actions "represent a most obvious and gross violation of the clear and unequivocal clauses of the several agreements concluded between the U. S. S. R. and China." It proposed "to call immediately a conference to regulate the questions connected with the Chinese Eastern Railway." The Soviet Government further demanded

that the conference be held only after "the Chinese authorities have immediately cancelled all the arbitrary orders regarding the Chinese Eastern Railway," "immediately released all arrested Soviet citizens," and "ceased all persecution of Soviet citizens and institutions." In conclusion, the Soviet Government warned the Mukden Government and the National Government of "serious consequences" if their proposals were rejected, and finally declared that "it would wait three days" for the answer, after which it would "resort to other means for the protection of the lawful rights of citizens of the U. S. S. R."

In reply to the Soviet ultimatum, the Government at Nanking, on July 17, defended the action taken, pleading its conformity with the Agreement of 1924, especially as to the provision regarding propaganda, and further demanding that about one thousand Chinese who were imprisoned in Soviet territory be released; intimating that the Chinese Minister to Moscow, Mr. Chu Shao-yang, who was then in China on furlough, was leaving, after careful investigation of the Harbin case, on his return to Moscow, where the questions relating to the railway and other pending matters would be discussed.

The Soviet Government, in the Note addressed to China on July 18, characterized this Chinese answer as "unsatisfactory in content and hypocritical in tone." Referring to the matter of propaganda, mentioned in the Chinese reply as the cause of the violent action of the Chinese authorities, the Soviet Government declared that the allegation was "false and hypocritical, for the Chinese authorities possessed in their own territory sufficient means to prevent and stop such activities had they actually taken place, without seizing the Chinese Eastern Railway," and that the real object of the violent action of the Chinese authorities was evidently to seize control of the Railway, as "the head of the Chinese state, Mr. Chiang Kai-shek" had declared that "our steps are designed to take the Chinese Eastern Railway." The Soviet Government, becoming impatient at the seemingly insincere attitude of China as to "the means necessary to regulate amicably the controversies," between the two Governments, recalled all Soviet diplomatic, consular and commercial representatives from China as well as all Soviet railway officials, closed the border to railway communication and ordered the Chinese diplomatic and consular officials to leave the territory of the Soviet Union. By this Note, the Soviet Government reserved "all rights arising from the Peking and Mukden Agreements of 1924."

Informal negotiations between the Soviet and Chinese officials, however, were soon initiated at Changchun, on July 23, by Mr. Melnikoff, Soviet Consul-General at Harbin, and General Chang Tso-hsiang, Chair-

man of the Kirin Provincial Government Commission, and were opened at Manchuli on July 30 and continued to August 4, when Mr. Tsai Yung-shang represented China, and Mr. Melnikoff the Soviet Republic. When, however, the Soviet demanded that the former status of the Railway should be restored prior to the convening of a formal conference, a deadlock ensued and the negotiations came to an end. Subsequently, propaganda and counter propaganda occurred, while actual warfare commenced at Manchuli, Pogranitchnaya, and other border towns.

As to the attitude of other Powers toward the Sino-Soviet dispute, all desired an amicable settlement. It was reported that the Secretary of State of the United States (Mr. Stimson), on June 18, the day following that on which the Soviet Government severed diplomatic relations with China by its Note of the 18th, exchanged views on the issue with the British, French, and Japanese Ambassadors, and that it was agreed that efforts at mediation be made in communications both to the Chinese and Soviet Governments, the Powers acting presumably as signatories of the Kellogg-Briand Anti-War Pact. The French Foreign Minister, on July 19, conferred with the Soviet Ambassador and the Chinese Minister in Paris, and expressed the hope that the dispute would be settled by peaceful negotiation instead of by arms. On July 22, the Soviet Government declined to entertain proposals for pacific settlement so long as China refused to restore the *status quo ante* as a condition precedent to the opening of negotiations, while China pledged herself to adhere to the Anti-War Treaty in settling the difficulty.

The German Government which, when Sino-Soviet diplomatic relations were severed, consented to take charge of Soviet interests in China and of Chinese interests in the Soviet Union, twice made friendly suggestions to the disputing parties for an amicable settlement. On August 27, the German Government, having informally secured assent from both parties, formally submitted to each the formula of settlement in the form of a joint statement, which contained four items, including the release of the prisoners arrested or detained in connection with the dispute. Regarding one important item, the recommendation of a "new" Russian manager and assistant-manager for the Chinese Eastern Railway, the Soviet Government proposed that these important officials should be appointed "immediately" and simultaneously with the issue of the joint statement. In its counter-proposals, the Chinese Government was unable to accede to the Soviet proposal that the appointment of a "manager shall be a condition precedent to signing the joint statement or the commencement of formal negotiations." Again there was a deadlock. On October 9, the German Government,

however, made the informal suggestion that there might be a mutual exchange of prisoners, and that the parties mutually refrain from reprisals against the persons or property of non-combatants, which would pave the way towards easing the situation and facilitating a peaceful settlement. The Soviet Government declined to entertain such an arrangement, on the ground that "China had no intention to respect Soviet treaty rights." In addition, the German Ambassador at Moscow was informed that no Soviet citizen would be permitted to negotiate with the National Government at Nanking, nor would the mediation of any third Power be accepted unless the Soviet demands contained in the communication handed to China on July 14 were first complied with.

The position of Japan relating to the Sino-Soviet dispute over the Chinese Eastern Railway was more delicate than that of any other third party. Japan is not only a close neighbour of the disputing parties, but maintains friendly relations with both countries, a fact which virtually ensures the general peace in the Far East. Moreover, Japan has an impressive economic interest in both countries, while her South Manchuria Railway, the Soviet-owned Railway (Chinese Eastern) and several Chinese-owned railways in Manchuria not only constitute parts of a world trade route, but are important factors in the development of Manchurian welfare. What Japan desires in this part of the world is a peaceful development in co-operation with the Powers concerned. If China and the Soviet Republic have any dispute which would affect Japan's interests, Japan is in a favourable position to cope with it and assist in ensuring an amicable settlement.

Japan's attitude toward the Sino-Soviet dispute was clearly stated in a speech addressed to the Diet by Baron Shidehara, Minister of State for Foreign Affairs, on January 21, 1930. Japan supported the view of the Washington Government, expressed on July 18, 1929, calling the attention of the contending countries to the Anti-War Pact. When the Ambassador of the Soviet Union called at the Foreign Office on July 19, 1929, to announce the severance of relations with China, Baron Shidehara orally invited the attention of the Soviet Government "to the provisions of the Treaty of Paris for the Renunciation of War and expressed a strong hope for the settlement of the controversy by all peaceful means." A similar statement was made to the Chinese Minister, who called on Baron Shidehara on the same day. As already seen in the German suggestions twice made (in August and October), the Soviet Government would not, before China recognized the *status quo* of the Chinese Eastern Railway precedent to the dispute, enter into

negotiation with China, nor accept the mediation of any third Power. While the Chinese were hesitating to accept the Soviet terms, there was naturally little or no room left for the mediation of a third party, and only direct negotiations between the disputants could lead to a satisfactory adjustment of the questions at issue.

Toward the latter part of November, Soviet military activities on the western Manchurian border became acute; Manchuli and Dalainor were taken by the Soviet forces on the 19th and 20th, and the Soviets were preparing to occupy Hailar, in order to gain a further hold upon the Chinese Eastern Railway. The Chinese Defence Forces at Hailar, 40,000 to 50,000 strong, were reported to be practically demoralized, and were preparing to evacuate. Subsequently, the Mukden Government, much closer to the danger than the Nanking Government, exchanged views with Moscow as to preliminary negotiations, and on November 30, dispatched Mr. Tsai Yun-sheng, the Hailar Commissioner of Foreign Affairs, to Nikolsk, to meet M. Simanovsky, the Soviet Foreign Commissary for the Habarovsk District. On the following day these representatives met, and agreed on December 3rd upon several important items of compromise, by exchanging a Declaration, i. e., dismissal of Mr. Liu Yang-kuan from the presidency of the Railway in the name of the Mukden Government; appointment of the former Soviet manager and assistant manager to new posts in the name of the Soviet Government, providing that the Soviet reserved the right to appoint these former officials to other positions in the Chinese Eastern Railway administration; a sincere endeavour in the name of the Mukden Government to settle the disputes existing between the two countries and to avoid any recurrence of disputes in future, and an agreement to mutually abide by the Peking and Mukden Agreements of 1924, in whole or in part. The new arrangements made at Nikolsk and approved by the National Government, became the basis of the formal agreement signed on December 22 between the two representatives at Habarovsk, by which the status quo of C. E. R. was restored.

At the time that an exchange of views was proceeding between the Moscow and Mukden Governments in preparation for the negotiations at Habarovsk, which were in progress in the latter part of November, certain members of leading associations in the Three Eastern Provinces appealed on November 26 to the President of the United States for a move in the direction of a peaceful settlement of the controversy through the Anti-War Treaty, and it is reported that the National Government of Nanking sent an identic telegram to the League of Nations and to the Powers signatory to the Anti-War

Treaty, suggesting the appointment of a commission composed of an equal number of members of Soviet and Chinese nationality, with a neutral chairman. On December 2, the Government of the United States addressed a formal communication separately to the Chinese and (through France) Soviet Governments, calling the serious attention of these Governments to the provisions of the Kellogg Treaty and suggesting, at the same time, to the countries signatory to the Treaty that they should take similar action. Great Britain and France acted on the American initiative, and sent practically similar communications to China and Soviet Russia. The Soviet answer to the French Note was frank, in that it stated that "the move of the United States, since direct negotiations have been started, cannot be regarded as a friendly act," and insisted that the Soviet forces acted in self-defence and, therefore, in no way violated the obligations of the Soviet under the Kellogg Pact. The Note further pointed out that the Pact did not confer upon any state or group of states the function of "Pact Protector," and reiterated that the Soviet-Manchurian conflict could be settled only by direct Chinese-Soviet negotiations, and that Soviet Russia could not admit interference by any third party. China, in her reply, expressed her faithful adherence to the provisions of the Anti-War Treaty. The attitude of Japan towards the formal communication of the United States was very clearly stated in the address made in the Diet by the Foreign Minister, Baron Shidehara, to the following effect:

It is perfectly natural that the United States of America, as the initiator of the Treaty, should feel called upon to take such action, and we fully appreciate the motives by which it was promoted. We ourselves would be unable to remain a silent spectator, if this Treaty, on which the ink is scarcely yet dry, should in fact be reduced to a dead letter. Having, however, been in close contact with the Governments of China and of the Soviet Union in this matter, we felt that, at least, the time was not yet ripe for a formal *démarche* of the nature proposed. Moreover, Japan maintains normal diplomatic relations with the Soviet Union as well as with China. Should we join the action suggested we might find ourselves unavoidably drawn into a discussion with the Soviet and Chinese Governments, on the merits and demerits of the issues raised, and we might thus be eventually constrained to proceed to further action in regard to one or both of the two parties in dispute in order to make our *démarche* effective. It was due to these considerations that we did not feel ourselves at liberty to act at once upon the American suggestion.

Direct negotiations have since been opened between the two Governments, resulting in a preliminary agreement. It is now understood that a formal conference is shortly to be held in Moscow. We sincerely congratulate the two nations upon this happy issue.

After the Soviet reply to the French Note was made known, the Secretary of State of the United States, on December 4, expressed his personal opinion on the Soviet reply in a statement to the Press. Mr.

Stimson denied the Soviet allegation that unfriendly motives had prompted his communication, declaring that it never could be rightly considered an unfriendly act for one signatory of the Kellogg Pact to call the attention of another signatory to this international agreement for the renunciation of war. He further stated that the United States had no knowledge, before sending the communication, that Sino-Soviet negotiations were already in progress. In conclusion, Mr. Stimson expressed the hope that the Sino-Soviet problem would be solved through these negotiations.

33 Manchuria kept out of the Civil Wars, 1929-30

The Southern coalition of the Nationalist forces, though they finally succeeded in January, 1928, in their campaign against Chang Tso-lin by the capture of Peking and Tientsin, after eight months' interval themselves became involved in warfare against each other.

After the successful completion of the northern expedition, there were bright prospects for the National Government at Nanking to formulate plans for the unification of the country. One of their first acts after the capture of Peking was to change its name from Peking (Northern Capital) to Peiping (Northern Peace) by proclamation issued on June 28, 1928, in order to destroy even the tradition of its having been a capital. An economic conference was held in Shanghai from June 20 to 30 in order to stabilize the national economy and finance. Among many important resolutions passed, it was resolved that the annual military expenditure, heretofore aggregating more than 642,000,000 Chinese dollars for the maintenance of 84 divisions and 18 independent divisions — about 2,000,000 men — should be reduced to $192,000,000 by reducing the size of the so-called National Army to 50 divisions of 10,000 men each, and that the surplus troops should be disbanded, for which a special loan should be issued by the Central Government. When General Chiang Kai-shek, July 3, 1928, visited Peking to attend the memorial service for Dr. Sun Yat-sen, and at the same time straighten out the political and military situation in the North, a military parley was held in which Generals Chiang Kai-shek, Yen Hsi-shan, Feng Yu-hsiang, Pai Chung-hsi and others participated. It was formally agreed that China's future army should consist of from 50 to 60 divisions, each division being 10,000 strong. Subsequently, the First Disbandment Conference was held at Nanking, but it was said that "scant heed need be paid to it, as essentially it was a failure."

The Organic Law of the National Government, though it cannot be called a constitution, was promulgated on October 4, as a constitutional basis for the Nanking Government. As already stated, Marshal Chang Hsueh-liang, of Manchuria, toward the end of the year 1928 gradually came to a reconciliation with the National Government, and eventually the new national flag was hoisted at Mukden. So far as the international relations of China are concerned, the foreign Powers, including Japan, gave China every encouragement during 1928–29, hastening to accord formal recognition to the National Government at Nanking and to settle many pending questions, which included the Tsinan and Hankow incidents affecting Japan.

The Disbandment Conference was opened at Nanking on January 15th, under the presidency of General Chiang Kai-shek, and on the 17th passed resolutions dividing the country into six disbandment areas centred in Nanking, and reorganizing the armies at a maximum of 65 divisions, each consisting of 11,000 men, to be maintained at an annual expense of $192,000,000, or 41 per cent. of the total national revenue. But the conference, though it came to a successful termination and although its resolutions were formally agreed to by regional leaders, including Feng Yu-hsiang, Yen Hsi-shan, a representative of Chang Hsueh-liang, Li Tsung-jin, Li Chi-shen, and others, was soon followed by war clouds gathering over the Nanking Government. Most of the regional military leaders, if the disbandment programme were carried into effect, considered General Chiang Kai-shek, of the Nanking Government, would benefit by a great access of power, while their power would be correspondingly reduced. Thus the Disbandment Conference, which had rather ignored the persistent feudalism of China's military organization, precipitated a succession of civil wars, one after the other, in 1929 and 1930.

The Kwangsi clique, first resenting the control of the Nanking Government in matters of revenue, revolted three times in 1929, i. e., in March, May, and November, their field of action being south of the Yangtze River. General Feng Yu-hsiang, of Honan, though he endeavoured to preserve a conciliatory attitude towards the Nanking Government after the Peking expedition, was much dissatisfied with the action of Chiang Kai-shek at the Disbandment Conference, and left Nanking with startling suddenness; and his resentment was increased upon the transfer of Shantung Province to Chiang's supporter, Chen Tiao-yuan. Feng had expected that Shantung would be placed under his control as soon as the Japanese military forces had evacuated the railway zone from Tsingtao to

Tsinan. In the middle of May, the belligerent attitude on both sides, Feng's group and Chiang's supporters, became apparent. On the advice of General Yen Hsi-shan that Feng abandon his campaign and go abroad, a collision between Feng and Chiang was temporarily averted, and the military situation remained a deadlock for several months. But warfare finally broke out in October along the Lunghai Railway, when Feng's army was defeated in the last engagement (November 12) and retreated into the far interior of Honan Province, subsequently moving into Shansi on the invitation of Yen Hsi-shan.

General Yen, under whose charge Shansi and Chihli provinces had been placed since the accomplishment of the Northern expedition of 1928, maintained good relations with the Nanking Government. But gradually differences arose. Yen also was disappointed at the measures of the Disbandment Conference of January, 1929, and moreover feared that he might share the fate of the Kwangsi party, of the South, and of Feng Yu-hsiang, and hostilities gradually developed. Especially in February, 1930, propaganda and counter-propaganda, in which each denounced the other, became acute, and both sides made preparations for mobilization. General Yen Hsi-shan's circular telegram of February 23, which was signed by fifty general officers, including revolutionary leaders such as Feng Yu-hsiang, Li Tsung-jen, Pa Ching-hsi, Shi Yu-shan, and all others opposed to Chiang Kai-shek, drew serious attention to the deplorable conditions caused by civil strife, and a peaceful settlement of the conflict was urged at the forthcoming Fourth Plenary Session, which should be formed by the representation of the whole Kuomingtang brotherhood, and not by the personal representatives of any particular general. Subsequently it was reported that General Yen would proceed to Peking to set up military headquarters, and General Feng to Chengchow to map out a course of campaign against the Nanking Government. This situation was considered critical by the Nanking Government. On February 27, a council was held to prepare (it was said) punitive measures against General Yen, and the mandate was to be issued as soon as Yen took any action. It is said that Fang Pen-jen, stationed at Mukden as an agent of the Nanking Government, reported to Marshal Chang Hsueh-liang that the punitive mandate against Yen would be issued, and asked the young Marshal to accept the office of Vice-Commander-in-Chief of the Army, Navy and Air Forces of the National Government, which post had hitherto been held by General Yen. Marshal Chang Hsueh-liang, on March 1st, issued a circular telegram in which he declared that General Chiang Kai-shek and General Yen

Hsi-shan were both important personages in the Republic, as "Pillars of the Kuomintang Party and the Nation." He was much shocked (said the Marshal) to hear that differences of view had led to armed conflict, and urged them to settle the dispute amicably. The Marshal's advice, however, did not remove the difference between the Nanking Government and the Yen faction. Finally General Yen, on April 1st, issued a proclamation against the Nanking Government. This declared that assuming the position of Commander-in-Chief of the Chinese Army and Navy, as proposed by 57 Generals, General Yen Hsi-shan was determined to effect the early unification of the country by leading a Southern expedition against the Nanking authorities. It further stated that the Commander-in-Chief being responsible for the safety of foreign lives and property, it was earnestly desired that the foreign Powers would understand the true aspirations of the Chinese nation and refrain from giving any assistance to the destructive factions of China. As a counterblast to Yen's proclamation, the National Government, on April 5th, issued a Mandate proclaiming the launching of a punitive expedition against General Yen Hsi-shan of Shansi. The Mandate declared that General Yen, one of the craftiest type of politicians, like the late President Yuan Shih-kai, controlling the Shansi province as his base, was planning to re-establish monarchical rule by destroying the Kuomingtang and the National Government. It further stated that his crime being clear, the National Government cancelled all his official titles and at the same time ordered the extermination of the traitor. Thus a sort of declaration of war was issued by both sides. The campaign of propaganda telegrams accusing each other was continued, and both sides prepared for the forthcoming struggle. But no actual warfare took place till three airplanes of the Nanking troops attacked (May 5th) Chengchow, the junction of the Peking-Hankow and Lunghai Railways, where General Feng was preparing for a general offensive. Battles gradually developed along the Lunghai, Tientsin-Pukow and Peking-Hankow Railways. Thus, in the civil war between Nanking Government and Northern group of General Yen, battles were fought in Honan and Shantung provinces. While communists rebels fought round Hankow and Wuhan, and the Kwang factions south of the Yangtze were still rampant, China proper, except Manchuria and other extreme frontiers, was again thrown into military strife.

In this struggle, occasional attempts on the part both of the Nanking Government and General Yen were made to obtain the support of Marshal Chang Hsueh-liang, of Manchuria. It is said that,

as an inducement, the Nanking Government offered the post of Vice-Commander-in-Chief of the Army and Navy to Marshal Chang and that a similar offer was also made by General Yen. But Marshal Chang declined to accept either, and advised both contending parties to come to terms, himself remaining neutral. When General Yen seized the Customs House at Tientsin, and appointed Mr. Lenox Simpson, a British resident, Customs Commissioner, on June 16th, it is said that the Nanking Government approached the Mukden Government proposing a blockade of Tangku, near Tientsin, by the North-Eastern Navy which was under the command of the Mukden Government. But the Marshal did not act on this request and remained neutral. While the battles were raging along the Peking-Hankow, Lunghai and Tientsin-Pukow Railways, Tsinan was taken by the Northern forces, and retaken by the Southern forces in August. Ten days later, the new Nationalist Government was established at Peiping by the Northern coalition, Marshal Yen Hsi-shan being appointed its head. Marshal Chang Hsueh-liang, who had hitherto maintained a neutral policy, sent out on September 18th a circular telegram* to the contending governments and leading political associations, proposing peace, and simultaneously despatching Mukden troops, stationed in Shanhaikwan, to the Tientsin-Pukow Railway which had been occupied by Yen Hsi-shan's troops. Upon Marshal Chang Hsueh-liang's armed mediation for peace, General Yen Hsi-shan announced his resignation of the chairmanship of his "New Nationalist Government at Peiping," and most of his army and officials evacuated Tientsin and Peiping, and departed for Yen's home headquarters at Taiyuan, in Shansi province. Marshal Feng Yu-hsiang, though he still continued his campaign against the advance

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* The following is the text of the Marshal's telegram, translated:

"Construction must be achieved through obeying public opinion and suspending worthless domestic strife. When the domestic trouble first occurred, I despatched cables on March 1 urging both parties to suspend military action, but to my great regret my effort was fruitless and the people have been left in agony and despair for more than seven months since hostilities opened.

"If the present situation be allowed to go on, the country will without doubt rush to destruction. I cannot bear to witness the extreme distress of the Chinese people, and so have made up my mind to do my best to establish peace in the country, relieve the people of their ceaseless troubles, and establish a scheme for the eternal prosperity in the nation. For this purpose the Mukden faction will hereafter trust in the National Government to carry out proper measures, and will contrive administrative plans for the country by advising the Government. I shall not spare myself in the effort to save the country.

"I would that all of us endeavour to save the people from torture and the country from declining in its international position."

of the Nationalist force under General Chiang Kai-shek, yet, after his subordinate General Shih Yu-shan had transferred his allegiance to the National Government, gradually withdrew his force from the Lunghai Railway to Chengchow, which was finally taken by General Chiang Kai-shek on October 6th. The National Government at Nanking, on September 23rd, replied to Marshal Chang Hsueh-liang's circular telegram, highly eulogizing the Marshal for his action in the cause of peace and unification. Thus, the military strife between the South and the North ceased, following the armed mediation initiated by Marshal Chang Hsueh-liang, and once more there was a prospect of general peace in China.

III COMMUNICATIONS

34 General

The communication system in Manchuria was inadequate, or rather, negligible, before the era of the Russo-Japanese war. Although the Russians commenced the building of the Chinese Eastern Railway in 1897, complete operation was not started until 1903, one year before the war, and that principally for military purposes. Land traffic, as of old, mainly depended on the stout Manchurian pony or ox cart, a one-wheel cart utilizing the sail, or on camel traffic. River traffic depended entirely upon the native junk. Russians probably first introduced the modern steamer on the Sungari, which flows about 430 miles from Harbin to the point where it joins the Amur, when they built the Chinese Eastern Railway and the city of Harbin. Regarding the postal service, there was no such system serving the general public in Manchuria until 1896, except the I-Chan (驛站), or the Government service of couriers, for transmitting official despatches, and Hsin-Chu (信局) or Min-Chu (民局), a sort of express guild serving chiefly for delivery of private letters and packages.

The modern postal service in China was initiated by the Imperial Maritime Customs in 1878, but it was for many years limited to the treaty ports and connections between. The postal service of the Japanese Army during the Russo-Japanese war was extended to the general public while South Manchuria was still under military occupation. As to the telegraph, the first land line was that between Tientsin and Tangku, in North China, established by China in 1880, when Li Hung-chang was Viceroy of Chihli Province. The Tientsin-Tangku line was extended to Shanhaikwan, Newchwang and Port Arthur in Manchuria, in 1884, when the Franco-Chinese complication took place. In 1899, the Peking-Tientsin line was extended to Mukden and Kirin, and thence to Maohsingchan, Tsitsihar and Aigun, by the authorities of Mukden and Kirin Provinces.

It was the Russians who constructed the first extensive telegraphic line in Manchuria, along the Chinese Eastern Railway. This line, connecting with the Siberian line and Vladivostok and Nagasaki was operated by the Danish corporation, the Great Northern Telegraph Company, and constituted a part of the overland system connecting Europe and Asia. The Danish corporation, in 1897, also made an

Horse-carts transporting Manchurian Beans near Anda

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Camel Traffic in Inner Mongolia

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arrangement with China to establish land telegraph communication with Europe by a connecting line across Mongolia from Kiakhta to Peking. During the Russo-Japanese war, the Japanese Army constructed an extensive telegraphic line in South Manchuria, then under military occupation. After the war, Japan, in 1908, handed over "all Japanese telegraph lines in Manchuria outside the Railway Zone," in consideration of the payment of 50,000 yen. Russia made a similar arrangement with China in 1930, receiving reimbursement of 120,000 Mex. dollars, but retained the telegraph line in the C. E. Railway Zone.

This system of communication — railway, post, telegraph — in Manchuria was initiated and improved partly by foreign service and capital, as in China proper. By the new movement towards national control, communications in China generally are expected to be much improved. By a decree issued on December 16, 1929, by the Nanking Government, the control of administration relating to railways and telegraphs in Manchuria was entrusted to the Three Eastern Provinces Communications Commission.

35 Railways

The development of the railway in Manchuria during the past quarter century has proved the most significant factor in the growth of these regions. While only about 5,200 miles of line have been built in the vast territory of China proper since 1877, more than 3,700 miles have been laid down in Manchuria since 1897.

Of these 3,700 miles in operation in Manchuria, as they existed in June, 1930, China owned over 1,800 miles, Japan about 700 miles, Russia (in joint management with China) 1,096 miles, while Sino-Japanese joint undertakings aggregated about 140 miles. Although the Chinese railways aggregate a greater mileage than the Japanese or Russian lines, most of them were financed by foreign, especially Japanese, capital. Of the 1,800 miles of Chinese railway, 612 miles were built with Japanese capital, and 388 miles in the Manchurian section of the Peking-Mukden Railway with its branches, partly with British capital. Railways built by Chinese with Chinese capital cover 765 miles, and are seven in number, the most important being: Takushan-Paiyintala, 156 miles; Mukden-Hailungcheng, 202 miles; Hailungcheng-Kirin, 114 miles; Hulan (opposite Harbin)-Hailun, 137 miles; Tsitsihar-Koshanchen, 99 miles. Besides these, there are three railways built as Sino-Japanese joint undertakings, two of which are light railways. The following table shows existing railways in Manchuria in greater detail:

Name of Railway	Length in Miles	Gauge	Remarks
Chinese Eastern, and Branches.	1,069^{38}	5′	Sino-Russian management, with Russian and French capital.
South Manchuria, and Branches	689^{91}	4′8½″	Japanese undertaking.
Manchurian section of Peking-Mukden Railway, and Branches in Manchuria	388^{03}	do.	Chinese Government line, partly British capital.
Ssupingkai-Taonan, with branch line to Paiyintala	264^{70}	do.	Chinese Government line, with Japanese capital.
Taonan-Angangchi	139^{31}	do.	do.
Kirin-Changchun	79^{35}	do.	Chinese Government line, with Japanese capital, under Japanese management.
Kirin-Tunhua.....	130^{74}	do.	Chinese Government line, with Japanese capital.
Mukden-Hailungcheng, and Branches.....	202^{38}	do.	Chinese semi-Government line (Mukden Province).
Hailungcheng-Kirin	113^{96}	do.	Chinese semi-Government line (Kirin Province).
Takushan-Paiyintala.....	156^{59}	do.	Chinese Government line.
Tsitsihar-Koshanchen, and Branches.....	98^{98}	do.	Chinese semi-Government line (Amur Province).
Hulan-Hailun.....	137^{40}	do.	Chinese semi-Government line (Amur Province).
Tsitsihar-Angangchi.....	15^{97}	1 metre	Chinese semi-Government line (Amur Province).
Shaochengtzu-Muling Colliery line	37^{03}	5′	Muling Colliery Co. (Sino-Russian management).
Kaiyuan-Hsifeng	39^{58}	1 metre	Chinese private enterprise.
Chinchou-Pitzuwo.....	63^{44}	4′8½″	Sino-Japanese undertaking.
Penhsihu-Niuhsintai.....	9^{32}	2′6″	Sino-Japanese undertaking.
Tumen-Tienpaoshan	68^{97}	do.	Sino-Japanese undertaking.
Total miles	3,705^{04}		

In recent years, the Chinese themselves have been very active in railway construction in Manchuria, where peace and order were comparatively well maintained, in contrast to the situation in China proper, where almost constant warfare, bandit outrages and communist commotion not only prevented new construction of railways, but often destroyed those in operation. As mentioned above, the Chinese have constructed more than 760 miles of railway in Manchuria by themselves with their own capital. They were possibly stimulated to the building of railways themselves at the time of the spectacular rebellion of General Kuo Sung-ling against Chang Tso-lin in December, 1925, when the General-Manager of the Chinese Eastern Railway (Mr. Ivanov), refused to transport Chang's troops without receiving advance payment of fares at half the regular rate, as provided in the Agreement of 1896.

Single Track of the Chinese Eastern Railway

Double Tracks of the South Manchuria Railway

Passenger Train on the Peking-Mukden Railway

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36 Harbours

Before the Russo-Japanese war, there were no modern harbours in Manchuria. Newchwang, opened as early as 1861, remained for many years the sole port in Manchuria capable of berthing steamers, but the position of the port handicapped its trade. Newchwang is situated several miles up the Liao River, where the fairway is too narrow to admit of navigation by large steamers, and, what is worse, it is ice-bound during four months in the year. In the port of Dairen, the Russians, though they initiated the construction of an improved harbour, left it unfinished at the time of their evacuation in 1904.

As the result of the war, Japan succeeded to the lease of the Kwantung peninsula from Russia, and opened Dairen in 1907 as a free port like Vladivostok, but entrusted the harbour construction and administration to the South Manchuria Railway Company. In the same year, China opened the port of Antung at the mouth of the Yalu River. Dairen harbour, much favoured by nature, naturally deep, well sheltered, and free from ice all the year round, was further improved, the expenditure entailed in this continuous work amounting to 68,000,000 yen up to March 31, 1930. The harbour has a breakwater aggregating 13,137 feet, and four large piers providing a total length of berthing quays of 14,396 feet. A recent addition to the harbour equipment is the new coaling station, a pier exclusively provided for loading Fushun coal, which was completed in July, 1930. Further details of the facilities of the harbour and wharf of Dairen will be seen later in the chapter on the South Manchuria Railway. Indeed, the harbour of Dairen, being the most important terminal of this railway, its main line traversing the heart of South Manchuria, has come to play the most significant part in the trade and shipping of Manchuria.

The following table shows shipping and trade for 1929 at the three Manchurian ports — Newchwang, Dairen and Antung:

	Shipping		Values of Exports and Imports in Yen
Name of Port	No. of Ships	Tonnage entered and cleared	
Dairen	8,211	14,056,392	508,527,913
Newchwang	1,711	1,803,527	86,564,949
Antung	908	489,554	92,360,810
Total	10,830	16,349,473	687,453,672

37 Vladivostok

It should be mentioned that the harbour of Vladivostok, the terminal of the Chinese Eastern Railway via the Ussuri Railway, receives annu-

ally from 1,000,000 to 1,500,000 tons of products of North Manchuria. The harbour became well known as an important naval station and seaport during the Czarist *régime.* After the European war, the Soviet Government endeavoured to make Vladivostok more of a commercial harbour. Although ice-bound for several months in winter, the harbour is fully utilized for shipping and trade throughout the year, navigation being made possible by the use of efficient ice-breaking steamers. Indeed, the Soviet Government, in order to facilitate the transportation of goods imported to and exported from North Manchuria, issued in 1924 a decree that a certain area of land and water of the port of Vladivostok, sufficiently large and equipped for transit operations, should be provided. As the effect of this decree, the transit section, a sort of free-port section, known as Egersheld Wharf, between No. 2 and No. 18 mooring berths (see map) together with all warehouses, open storage places, many railway sidings and other equipment, was established. All kinds of goods arriving at this transit section are exempted from Customs duties, excise and other levies. The whole work of transportation of Manchurian export and import through this transit port is entrusted to the Commercial Agent of the Ussuri Railway. Of these mooring berths, Nos. 11, 12, 13 and 14 are provided principally for Manchurian beans, and escalator conveyors are used between the warehouses and the berths for rapid loading. Nos. 15 and 16 berths are reserved for loading Manchurian beancake, while No. 8 berth is reserved for loading bean oil, this berth having connection with 6 warm oil tanks. The products of North Manchuria are at present exported overseas through Vladivostok, the terminal of the Chinese Eastern Railway via the Ussuri Railway, or through Dairen, terminal of the South Manchuria Railway. The following table shows the respective volumes of export of products of North Manchuria through Dairen and Vladivostok:

EXPORTS FROM NORTH MANCHURIA

Year	Eastwards to Vladivostok via Pogranitchnaya	Southwards to Dairen via Changchun	Total	Percentage	
				Eastwards	Southwards
1923	727,000	1,053,000	1,780,000	0.41	0.39
1924	770,000	1,180,000	1,950,000	0.39	0.61
1925	815,000	1,520,000	2,335,000	0.34	0.66
1926	1,214,000	1,497,000	2,711,000	0.44	0.56
1927	1,477,000	1,547,000	3,024,000	0.48	0.52
1928	1,520,000	1,587,000	3,107,000	0.49	0.51
1929	897,000	2,369,000	3,266,000	0.27	0.73
1930 (to August)	875,000	666,000	1,541,000	0.57	0.43

38 Hulutao Harbour

For many years the Chinese authorities had contemplated the construction of a new harbour in South Manchuria, and choice fell upon a bay at the head of the gulf of Pechihli some fifty miles west of Newchwang. Hulutao is situated in the northwestern extremity of Pechihli Gulf, about ten miles from Lienshan station on the Manchurian section of the Peking-Mukden Railway. Plans for the development of this harbour date as far back as 1908, when Mr. Hsu Shih-chang, Viceroy or Governor-General of the Three Eastern Provinces, appointed a British technical adviser, Mr. W. R. Hughes, to investigate and survey a site for a seaport along the line between Newchwang and Shanhaikwan, with the object of building a naval base and open port. Hulutao was then chosen, and the construction work was commenced in October, 1910, with British capital amounting to £800,000. But work was suspended owing to the outbreak of the revolution in the following year. In the interval a railway was laid connecting the port and Lienshan station on the Peking-Mukden line and a part of the breakwater, about 400 feet long, was built for which it was said that about £150,000 were spent. In subsequent years, continuation of the work of construction was several times decided upon, but due to civil war and other causes nothing was done until 1930, beyond the establishment of a navigation school by Marshal Chang Tso-lin with a view to creating the nucleus of a naval station.

A new contract for the construction of Hulutao harbour was concluded on January 24, 1930, with the Netherlands Harbour Works Company, by Director Kao Chi-i, of the Peking-Mukden Railway. The contractor, according to this agreement, is to be paid a total amount of 6,400,000 American gold dollars, furnished in monthly instalments of G.$95,000, and payable from the receipts of the Peking-Mukden Railway. In the general plan of construction, the breakwater on the southern line will be 4,100 feet long, and on the southwestern line 1,000 feet, making a total of 5,100 feet. Along the inside of the southern breakwater, three quays will have an aggregate length of 3,700 feet. A berthing pier is to have a total length of 900 feet. The mean depth at the quays is to be dredged to 35 feet.

The harbour of Hulutao, as the terminal of several Chinese lines projected by the Chinese authorities, should ultimately play an important part in the development of Manchuria and Mongolia.

39 Postal Service

The Chinese postal service was extended throughout the Empire in 1896, when the Bureau of Postal Administration was created. A Ministry of Posts and Communications was established in 1911, and the postal service conducted by the Imperial Maritime Customs was transferred to the new Ministry. But the old official courier system of I-chan and other private agencies remained until 1914, except in Inner Mongolia. The private courier guild system, though officially abolished in 1921, still remains in many districts today. The Japanese postal service conducted outside the Railway Zone, such as those at Hsinmintun and Kirin, was incorporated in 1922 in the postal system of the Chinese Government as a result of the Washington Conference, and the foreign postal agencies maintained in treaty ports by Great Britain, France, Japan and the United States were abolished in conformity with the resolution of the Washington Conference. The Republic of China was divided into 24 postal districts, and in the Manchurian area two districts were created, i.e., Mukden and Kirin-Amur.

The following table* shows the general condition of the postal service in Manchuria at the end of the 16th year of the Chinese Republic (1927):

POST OFFICES AND AGENCIES

Postal Districts in Manchuria	Head, 1st, 2nd, and 3rd class and sub-offices	Postal Agencies	Town and Rural Box Offices and Sale Agencies	Mail Matter Posted	Parcels Posted	Money Orders Issued	Amount of Deposits
						Chinese Dollars	
Mukden	140	321	1,356	39,326,900	392,500	6,097,100	254,149
Kirin-Amur...	130	279	420	38,474,600	500,100	9,905,600	89,630

Japanese postal, telegraphic and telephone services conducted in the Leased Territory and Railway Zone are referred to in Chapter IV.

40 Telegraphs

After Japan and Russia had transferred their land telegraphs in Manchuria (except in the Railway Zones), the Ministry of Communications, in 1908, assumed control of all land lines owned by Chinese private companies and the provincial governments. In 1913, the Chinese Republic was divided into 13 telegraphic districts, Manchuria being within the Mukden and Kirin-Amur Districts. In order to improve telegraphs and telephones in China, the Great Northern (chiefly Danish) and Eastern Extension (chiefly English) Companies advanced to the

* The figures are taken from the China Year Book, 1929–30.

Chinese Telegraph Administration the sum of £500,000 by an agreement made in April, 1911.

During the European war, when Russia withdrew from the Allies and combined with Germany by the treaty of Brest-Litovsk, there was great anxiety that the combined force of the Bolsheviks and the German prisoners in Russia might penetrate eastwards, via the Siberian Railway and the Chinese Eastern Railway, to Vladivostok. China and Japan were especially concerned over the question of frontier defence. "The Government of the Republic of China, in order to provide funds for the improvement and extension of telegraph lines," borrowed 20,000,000 gold yen by an agreement signed on April 30, 1918, by the Ministers of Communications and Finance on the Chinese side, and the Exchange Bank of China, representing the syndicate of the three Japanese Chartered Banks. When the agreement for the loan was signed, the Chinese Finance Minister, Mr. Tsao Ju-lin, issued an explanatory statement, which opened as follows:

> Communications relating to the Chinese frontier in Mongolia and Manchuria are of great importance to China. Except the telegraph lines in the eastern and middle parts of China, most of the telegraphic lines, aggregating several thousand miles, specially in Mongolia and Chinese Turkistan, are in a state of decay on account of utter neglect due to the lack of funds in the national treasury. Especially at such a time, when China is preparing for participation in warfare and confronted with a grave situation vis-a-vis Russia, the extension of telegraphic lines on the frontiers and the repair of existing lines in China proper, are of vital importance.

This telegraphic construction, aggregating more than 22,500 Chinese miles (li), with repair work aggregating several thousand miles in China proper, was to be carried out in three consecutive stages. In addition, by an agreement of February 10, 1920, between the Chinese Ministry of Communications and the Toa Kogyo Kaisha, of Japan, an advance of 15,000,000 gold yen was made for the purchase of wire and other materials for the improvement of the telegraphs, as well as for expenses for engineering and shipping purposes.

In Manchuria there is a total length* of Chinese owned land lines aggregating 24,753 li, or about 9,900 miles (Chinese li, about $\frac{2}{5}$ mile), the details being set out below:

Name of Province	Number of Telegraph Offices			Actual Distance of Line Routes in Li			Length of Overland Wires in Li
	Wire	Wireless	Total	Overland	River Cables	Total	
Liaoning (Mukden)...	61	4	65	8,525.00	1.61	8,526.61	11,935.00
Kirin	46	8	54	7,878.00	—	7,878.00	11,029.00
Heilungkiang (Amur)	43	5	48	8,350.00	—	8,351.41	11,694.00
Total	150	17	167	24,753.00		24,756.02	34,658.00

* The figures are taken from the China Year Book, 1929–30.

41 Wireless Installations

The situation of wireless telegraphy in China, like that of the telegraphic lines, is rather complicated, the control of installations being disputed not only as between China and the foreign powers, Denmark, Japan, Great Britain and the United States, but also between the foreign powers themselves.

From 1901 the Danish and British telegraph interests for many years had a sort of monopoly of China's external communications. With the development of Marconi's invention, Russia was first to establish a wireless telegraph station, in 1905, at Harbin in the C. E. Railway Zone for communication between Chita and Vladivostok, for emergency use in case the land line be disturbed. Japan installed, in 1911, a wireless station at Dairen in the Leased Territory, chiefly to provide navigation facilities. The Chinese Ministry of the Navy conceded to a Japanese company, the Mitsui Bussan Kaisha, by an agreement dated February 21, 1918, the right to construct at a place to be approved by the Peking Government a great radio station,

> With transmitting power and special receiving apparatus capable of direct radio-telegraphic communication with Japan, America and Europe.

The cost of this station, estimated at £536,267, which was to be advanced by the Mitsui Company, was to be repaid in thirty annual instalments. Another agreement signed shortly afterwards, on March 5, provided that

> During the period of thirty years mentioned in Article 4 of the contract, the Government shall not permit any other person, or firm, itself to erect any wireless station in China for the purpose of communicating with any foreign power.

A central station, according to this agreement, was established at Shuangchiao, between Peking and Tungchow. The British Minister at Peking was reported at the time to have lodged a protest against the concession to the Mitsui Company on the ground that it violated contracts already made by the Chinese Government with British nationals. On August 27, 1918, the Chinese Ministry of War entered into an agreement with the Marconi Wireless Company, Ltd. (British), which provided for a loan to the Chinese Government of £600,000, of which £300,000 would be required for payment of equipment. By another agreement, signed on October 18th, the Marconi Company obtained the right to erect three wireless telegraph stations in order to facilitate frontier communication between Kashgar and Sianfu.

An American concern, the Federal Telegraph Company, of California, on January 8, 1921, secured a contract for erecting wireless

stations in China, this concession being obtained from the Minister of Communications at Peking. This company was to erect a station of one thousand kilowatts which could directly send and receive messages from various wireless stations, and medium powered stations (600 kilowatts) at Peking, Canton, Hankow, and also at Harbin (200 kilowatts), each able to send and receive messages from wireless stations in Japan, the Philippines, San Francisco and Singapore. The Federal Company was to furnish the sum of $4,630,000 for the establishment of this plant. A protest against the arrangement with the Federal Company was immediately made by the British, Danish and Japanese Governments on the ground that it was in violation of the contracts already made by the Chinese Government with their respective nationals.

When the Washington Conference was held in 1921–22, controversy arose over these wireless concessions to the foreign powers. In order

> to enable China to obtain radio communications established and operated as much in its own interests as in that of the public of all countries, and to avoid the waste of capital, of staff, of materials, and of wave lengths,

M. Viviani of the French Delegation submitted a draft motion for international co-operation under Chinese control to the Committee on Pacific and Far Eastern Questions at its fifteenth meeting. The motion was supported by the Chinese and British delegations. But the Conference, in the result, took no action by way of resolution or otherwise in bringing wireless stations in China under international cooperation. Early in the Conference, the Chinese delegation, at the 9th meeting, asked the Conference to take action which should

> lead to immediate abolition or surrender to the Chinese Government of all electrical means of communication, including wireless stations on Chinese soil erected without the consent of the Chinese Government,

submitting a tentative list of such stations maintained by four groups — Japan, France, Great Britain and the United States. The Powers maintaining stations attached to their Legations at Peking are Japan and the United States. The Powers maintaining stations in their respective leased territories in China are Great Britain, France and Japan. Japan and Russia (the latter did not participate in the Washington Conference) maintained wireless stations in their respective Railway Zones. France erected a station in the French concession at Shanghai; Japan maintained stations at Tsingtao and Hankow, both of which were then under military occupation. In addition, Great Britain, France, Japan, and the United States maintained stations at places other than those enumerated above.

This Chinese motion on wireless stations, it was decided, should be referred to a Drafting Committee. When a resolution on the question was submitted for discussion at the first meeting of this committee, the French representative said that France had the right to establish a wireless station by virtue of its concession rights at Shanghai and as lessee of Kuantungchou-wan, and, therefore, they should be excluded from the operation of the resolution. The British representative said that the radio station in the Kowloon leased area should receive separate consideration. As to the station in the Railway Zone, the Japanese representative stated that the Japanese radio stations in the South Manchuria Railway Zone were there by treaty right; that is, as auxiliary to Japan's rights of railway control and operation. The Chinese representative denied that

> the right to establish radio stations in the leased areas was included within the rights granted by China to the lessee states.

The same contention was made as to the maintenance of radio stations, without China's consent, in municipal settlements or concessions and within railway zones. The Chinese representative again contended that,

> in the railway zones, Japan had by treaty only ordinary business administrative rights for the operation of railways, and while Japan might, therefore, have the right to operate telegraph lines required for railway use, this did not carry with it the right to operation of radio stations.

The resolution agreed to by the Drafting Committee was finally approved by the Conference in its fifth plenary session on February 1, 1922, and contained a provision in the following sense:

> If any question arise as to the radio stations in leased territories, in the South Manchuria Railway Zone or in the French Concession at Shanghai, it shall be regarded as matter for discussion between the Chinese Government and the other Governments concerned.

In North Manchuria, the Japanese Army operated a radio station at Harbin during the Siberian Expedition of the Allied Powers, but restored this to the Chinese Eastern Railway in 1922. This Russian radio station, maintained since 1905, was forcibly taken over by the Chinese authorities after the Washington Conference. Then the construction of radio stations in Manchuria was placed under the control of the Chief of the Mukden Arsenal by order of Marshal Chang Tso-lin; two more stations were built, at Mukden and Changchun respectively, and three Marconi type radio apparatus were installed respectively at Harbin, Mukden and Changchun. In 1923, two more stations were erected, at Kirin and Tsitsihar. The Chinese Government, up to that time, had been accustomed to pay for European messages about 400,000 Chinese dollars annually to the Great Northern Company (Danish) and

Airplane Station at Choushuitzu, near Dairen

Airplane ready to start

Airplane arriving at the Station

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the Eastern Extension Company (English), but several payments in recent years are in default. Subsequently, the radio station at Mukden was installed in February, 1927, one of the most advanced radio plants, made by the German Telefunken Company, and this station is said to have successfully established direct radio communication with the Nauen Station in Germany in the first trial operation on July 13, 1927. According to report the English and Danish Ministers at Peking lodged formal protests against Chinese direct communication with Europe in disregard of China's previous engagements with these Powers.

42 Aerial Traffic

To meet the needs of the times, the introduction of commercial aviation into Japan has been seriously studied in recent years. With a view to establishing an aviation traffic corporation, a commission to investigate aerial transport and to form such a corporation was organized on July 20, 1927, Viscount Yei-ichi Shibuzawa being elected President, and Mr. Jun-nosuke Inouye Vice-President of the Commission. A corporation called the Japan Air Transport Co. Ltd. was finally organized on October 20, 1928, with authorized capital amounting to 10,000,000 yen, of which 2,500,000 yen was paid up.

The Japanese aviation service was extended to Dairen, the Leased Territory in Manchuria. Regular freight and mail services to Dairen, via Korea, three times a week were inaugurated on April 1, 1929, and a passenger service on September 10, 1929. Freight and mail service to Dairen was increased to six times a week on April 1, 1930, and the passenger service also to six times per week on September 1.

IV LEASED TERRITORY AND RAILWAY ZONE

43 General Remarks

The area under Japanese jurisdiction in Manchuria is limited to 1,300 square miles of territory known as the Kwantung Province, a part of Liaotung Peninsula, including Port Arthur and the port of Dairen, and to a narrow zone on either side of the railway belonging to the South Manchuria Railway Company aggregating about a hundred square miles. The total area under Japanese control, amounting to 1,400 square miles, thus represents but a fraction of Manchuria, to be precise, the 273rd part of the whole area.

The territory at the southern extremity of the Liaotung was originally leased to Russia, on March 27, 1898, for 25 years, subject to extension by mutual agreement; but by the Treaty of Portsmouth, 1905, the lease was transferred to Japan, which was subsequently affirmed by China, and in 1915 it was agreed that the lease should be extended to 99 years from the date of the original lease of the territory. That is to say, the term of this lease will expire in 1997. The terms of the South Manchuria Railway Company's line from Dairen to Changchun, and of the Antung-Mukden Railway, were also extended to 99 years from the original date of lease, and the respective Railway Zones will remain under Japanese control until the years 2002 and 2007. The area and population in the Leased Territory and the Railway Zone, according to statistics compiled by the Kwantung Government, are given in the table below as of December 31, 1929:

		Population				
	Area	Japanese	Korean	Chinese	Others	Total
Leased Territory...	1,300 sq. m.	107,364	1,527	774,300	587	883,778
Railway Zone	100 „ „	95,658	13,941	230,507	1,937	342,043
Total	1,400 „ „	203,022	15,468	1,004,807	2,524	1,225,821*
Total Population in 1907 ...		37,885	—	396,067	77	434,029

* According to the official census taken on October 1, 1930, the population in the Leased Territory was 955,727 and 372,242 in the Railway Zone, making a total of 1,327,971, of which Japanese numbered 225,819, Koreans 18,247, Chinese 1,080,885 and foreigners 3,020.

During the past twenty-three years the Chinese population has increased immensely, especially in the Railway Zone, where the Chinese numbered only 8,902 in 1907. Indeed the Chinese population in the Leased Territory and Railway Zone to-day has increased to more than 80 per cent. of the total population of 1,225,821. It may be noted that the area under Japanese jurisdiction contains over 875 people per square mile, while the average population per square mile in Manchuria is 76. It should be remembered that about 35,000 Japanese and 746,000 Koreans reside outside the Leased Territory and Railway Zone. In Manchuria as a whole, there are to-day about 240,000 Japanese and 768,000 Koreans.*

44 Kwantung Government

By Imperial Ordinance No. 196, promulgated on July 30, 1906, the Kanto Totoku-fu (Government-General of Kwantung Province) was established. The military administration of the Kwantung Peninsula conducted by the Japanese Army following its occupation during and after the Russo-Japanese war was replaced by a civil administration under the Governor-General, who was a direct appointee of H. M. the Emperor and who originally was to be a general or lieutenant-general of the Japanese Army. By this organic regulation, the Governor-General not only controlled civil and judicial administration in the Leased Territory of the Kwantung Peninsula, but for the maintenance of peace and order in the Leased Territory and in the Railway Zone in South Manchuria, he was invested with military power, commanding the Japanese Garrison and the Railway Guards. In addition, the Governor-General was empowered to protect the Japanese railways in Manchuria and to supervise the administration of the South Manchuria Railway Company. By virtue of a special commission he was charged with the conduct of negotiations with the Chinese local authorities. As to political matters, he was subject to the supervision of the Minister of State for Foreign Affairs in Tokyo, and to the Minister of State for War with reference to military matters. His government had two departments — those of Civil Administration and the Army Corps. The former conducted all administrative affairs, except military matters, namely, general affairs, police, finance, public works, and prisons, all of which were under the control of the Chief of Civil Administration, who was subordinate to the Governor-General. In addition, a Bureau of Posts

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* The Korean population in Manchuria is estimated by the Government General of Korea at more than 768,000.

and Telegraphs was established in the Department of Civil Administration.

In the matter of local administration, Kwantung Peninsula was divided into three administrative districts, which were later reduced to two. The head of each district executed therein the laws and ordinances, and discharged his administrative functions under the direction of the Governor-General. In the cities of Dairen and Port Arthur, self-governing municipalities have functioned since 1924. The self-government principle is also adopted in the village administration, the head of which, Hui-chang, is a Chinese appointee.

During the European war, the need for the more effective maintenance of peace and order in Manchuria was keenly felt, and the Organic Regulations of the Government-General were modified by Imperial Ordinance No. 82, promulgated in July, 1917. The Governor-General had hitherto only supervised the business of the South Manchuria Railway, but it was now provided that he should directly control the Company and act as its President *ex officio*. Simultaneously, the Police Section was enlarged into a Police Bureau, and it was provided that the Commander of Gendarmerie (a contingent of the Army Corps stationed in Kwantung) should be the Bureau Chief *ex officio*.

Following the trend of world movements generally, especially after the Great War, Japan adopted a more liberal policy in her rule in Kwantung Province and in the Railway Zone in Manchuria. By Imperial Ordinance No. 94, promulgated on April 12, 1919, the Organic Regulations of the Kanto-cho (Kwantung Government) superseded those of the Government-General. The Governor-General was replaced by the Kanto-chokan (Governor of Kwantung), a civilian official. The Governor has jurisdiction over the Province, control of the policing of the railways in South Manchuria, and supervision of the business of the South Manchuria Railway Company. The military power possessed by the Governor-General was vested in the Commander-in-Chief of the Kwantung Army, a post then created. Formerly the Governor-General acted as *ex-officio* President of the South Manchuria Railway, but now the Governor only supervises the business of the Company. The Organic Regulations of the Government of Kwantung were again modified in 1924, in order to effect financial retrenchment by abolishing the office of Chief of the Civil Administration and other important subordinate offices.

Baron Gonsuke Hayashi, later Ambassador to Great Britain, was the first civilian Governor of Kwantung. The present incumbent, Governor Seiji Tsukamoto, was appointed January 16, 1931, on the

Kwantung Government Office, Port Arthur

Museum at Port Arthur

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resignation of Mr. Masahiro Ohta, who was subsequently appointed Governor-General of Formosa.

The present organization of the Kwantung Government, with affiliated offices, is shown in the table below:—

Head of Government

- Governor's Secretariat
  - Private Secretaries' Section
  - Secretary's Section
  - Foreign Affairs Section
  - Board of Councillors
- Home Affairs Bureau
  - Local Administration Section
  - Education Section
  - Industrial Affairs Section
  - Civil Engineering Section
- Police Administration Bureau
  - Police Affairs Section
  - Peace Preservation Section
  - Sanitation Section
- Finance Department
  - Accounts Section
  - Finance Section
- Local Administration Offices
  - Branch Offices
  - Primary Schools
  - Schools for Natives
- Courts of Justice
  - High Court
    - Court of Cassation
    - Court of Appeal
  - Local Court
- Procurator's Office
  - Procurator's Office for Local Court
  - Procurator's Office for High Court
- Communications Bureau
  - Post Offices
    - Branch Post Offices
    - Telephone Sub-stations
    - Telegraph Sub-stations
  - Telephone Offices
  - Telegraph Agencies
- Prison
  - Branch Prisons
- Marine Bureau
  - Branch Marine Offices
- Port Arthur Engineering College
- Middle Schools
- Girls' High Schools
- Normal School (for Natives)
- Commercial Schools (for Natives)
- Agricultural Schools (for Natives)
- Police Training School
- Meteorological Observatory
  - Branch Observatory
- Government Hospitals
  - Port Arthur Hospital
  - Port Arthur Women's Hospital
  - Port Arthur Isolation Hospital
  - Dairen Women's Hospital
  - Dairen Isolation Hospital
- Agricultural Experimental Station
- Sericultural Experimental Station
- Stud Farm
- Stock Breeding Station
- Aquatic Products Experimental Station
- Exchanges (Produce, Currency, etc.)
- Museums
- Temporary Land Investigation Department

45 Finance

The Government expenditure in Kwantung Province from the time of the military occupation was defrayed out of the extraordinary war fund which was created during the war with Russia. After the Government-General of the Province was established, the annual expenditure (beginning 1907) was placed under a special account. The principle is that the Government expenditure be defrayed from the revenue derived from this province and, if any deficit should occur, it is to be met with a grant from the Imperial Treasury of the Home Government, with the object of gradually or ultimately placing the finance of the Kwantung Government on an independent footing. The following table shows the growth of annual expenditure and revenue for the last twenty-three years, together with the annual grant from the Home Treasury, amounting from two to four million yen each year:

	Revenue				
	Taxes and other Receipts in K. P.	Grant from Treasury	Surplus of preceding year transferred	Total Revenue	Total Expenditure
1907–8.....	1,273,472	3,000,000		4,273,472	3,451,487
1912–3.....	1,887,141	3,122,500	1,153,129	6,162,770	5,359,503
1917–8.....	3,645,827	2,007,000	2,072,397	7,725,224	4,612,985
1922–3.....	12,032,925	4,300,000	3,011,051	19,343,976	15,217,555
1927–8.....	13,760,290	4,000,000	4,441,316	22,201,606	16,985,029
1928–9.....	17,261,544	4,000,000	5,216,576	26,478,120	20,854,932
1929–30 ...	17,770,858	4,550,000	5,623,187	27,944,045	22,576,468

In the budget of the Kwantung Government for the fiscal year 1930–31, the total revenue, including extraordinary revenue, was estimated at 22,949,939 yen. The revenue from taxes, direct and indirect, was estimated at about 4,169,488 yen only, in which the tax on the incomes of corporations, paid mostly by Japanese, amounted to over 2,406,000 yen, while the land tax amounted to 216,000 yen, 60 per cent. of which is paid by Chinese. The indirect taxes — on tobacco, liquor and salt — were estimated at from 310,000 yen to 780,000 yen. The most important items of the revenue are the receipts from public undertakings and state properties, amounting to 11,379,000 yen, of which 7,190,000 yen are contributed by the postal, telegraphic and telephone services. The extraordinary revenues amount to 5,992,000 yen, of which 4,000,000 yen is furnished by the Imperial Treasury, 500,000 yen from a loan, and 1,198,000 yen from the surplus of the revenue transferred from the preceding fiscal year.

Of the expenditures for the same fiscal year, aggregating 22,949,-939 yen, about 5,172,000 yen, it was estimated, would be spent on communications services — posts, telegraphs, and telephones. The next important item of expenditure is the police service, amounting to 4,306,000 yen. Another important item is the cost of the educational service, amounting to 2,439,000 yen. The sum of 3,175,000 yen was allotted for Government buildings, communications improvements, etc. under the heading of expenses for public undertakings.

The following table shows the general features of the Working Budget of the Kwantung Government for the fiscal year 1930–31:

Revenue		Expenditure	
ORDINARY		**ORDINARY**	
Taxes:	Yen	Expenditures of the Kwantung Government	Yen 1,685,094
Land tax	216,433	Expenses of the Law Courts and Prisons	524,925
Salt tax	311,468	Police expenses	4,306,650
Income tax on Corporations	2,406,278	Education expenses	2,439,811
Business tax on Stock and Grain Exchanges	7,560	Expenses for encouraging Industrial Enterprises	330,475
Business tax	72,348	Expenses of Monopoly Bureau	1,777,394
Tax on Liquors	369,235	Communications expenses	5,172,194
Tax on Tobacco	786,166	Expenses of Marine Bureau	171,137
Revenue from public undertakings and State property:		Expenses of Hospitals	494,274
Receipts from Posts, Telegraphs, and Telephones	7,194,136	Ground and House Rents	161,170
Revenue from Monopolies	3,003,400	Expenses for the prevention of Infectious Diseases	38,825
Rents from Lands and Houses	966,631	Transferred to National Debt Consolidation Fund special account	281,825
Income from Prison Labour	82,757	Miscellaneous expenses	64,207
Income from Hospitals	132,969	Reserve funds	300,000
Stamp Receipts	879,380	Total	**17,747,981**
Miscellaneous Receipts	528,516		
Total	**16,957,277**		
EXTRAORDINARY		**EXTRAORDINARY**	
Proceeds from sale of State property	294,621	Expenses of public undertakings	3,175,488
Imperial Treasury grant	4,000,000	Expenses for encouraging Chinese Language	11,500
Surplus from the preceding year transferred	1,198,041	Extraordinary Police expense.	249,809
Proceeds of Loan	500,000	Expenses of Special Census of Population	97,043
Total	**5,992,662**	Subsidies*	1,575,295
		Miscellaneous Expenses	92,823
		Total	**5,201,958**
Grand Total	**22,949,939**	Grand Total	**22,949,939**

* Regarding village administration, the revenue from local taxes, public properties and undertakings, licences, fees, etc., is applied to expenses of village offices, education, sanitation and other items of local administration. Any deficit incurred is made up with a subsidy from the General Account of the Kwantung Government.

46 Courts of Justice

With regard to the administration of justice in Kwantung Province, Japan decided not to recognize foreign jurisdiction, following the practice of the leased territories held by other Powers in China. By Imperial Ordinance No. 198, promulgated on July 31, 1906, the Totokufu-Hoin (Courts of Justice) were established under the direct control of the Governor-General to adjudicate in all civil and criminal cases, irrespective of nationality, in the peninsula. This was a two-trial system, which was modified at a later date to the three-trial system in vogue in Japan. Although the Courts of Justice consist of a High Court and a Local Court, the High Court is divided into the Cassation Department (Court of Cassation) and Appeal Department (Appeal Court). In the beginning, the administration of justice was based partly on the Japanese Civil and Criminal Codes and partly on local laws and usages, but since the judicature ordinance of Kwantung Province was issued in 1909, the laws of Japan have been applied in general. Chinese usages, however, are often observed in cases relating to the family, succession, bankruptcy, criminal and other actions. While registration matters are administered by the District (or lowest) Court in Japan proper, registration in the Leased Territory is conducted by the local administrative offices.

Judicial cases within the South Manchuria Railway Zone are under Consular jurisdiction in accordance with the provisions of extraterritoriality of the Sino-Japanese Treaty. But appeal or cassation cases come before the High Court in the Leased Territory.

Statistics relating to civil and criminal cases and registrations in the Leased Territory are as follow:

1. RECORD OF CIVIL CASES

Year	1st Trials	2nd Trials	3rd Trials	Court of Cassation
1906.....	245	5	—	—
1912.....	650	75	—	1
1916.....	496	36	—	3
1921.....	715	49	—	3
1926.....	897	111	9	11
1927.....	1,015	123	14	16
1928.....	1,052	145	21	14

2. RECORD OF CRIMINAL CASES

Year	1st Trials	2nd Trials	3rd Trials	Court of Cassation
1906.....	165	9	—	—
1912.....	177	32	—	1

1916.....	230	22	—	3
1921.....	676	49	—	3
1926.....	882	153	34	1
1927.....	1,786	150	24	2
1928.....	1,800	189	32	—

3. RECORD OF REGISTRATIONS

Year	Real Estate	Build-ings	Vessels	Trade and Juridical Persons	Others	Total
1912.....	—	2,409	90	543	35	3,077
1916.....	—	2,804	202	742	34	3,782
1921.....	—	5,167	39	3,137	154	8,497
1926.....	9,625	2,573	74	805	3,809	16,886
1927.....	12,191	3,169	94	775	5,994	22,223
1928.....	14,689	6,126	256	3,172	49	24,292

47 Police Administration

The Japanese police administration in South Manchuria was inaugurated when the region was under military occupation during and after the Russo-Japanese war. Simultaneously with the establishment of the Government-General in July, 1906, in Kwantung Province, the police administration was limited to the Leased Territory and the Japanese Railway Zone, where the Governor-General was responsible for the protection of the South Manchuria Railway lines. A police director-general conducted police administration under the control of the Governor-General. In order to maintain communication and harmony between the Railway Zone and Japanese Consular jurisdiction outside the Railway Zone, the Consular officials were appointed in January, 1908, *ex-officio* as the police authority of the Government-General. As already stated, during the European war, the need for the more effective maintenance of peace and order in Manchuria being felt, gendarmerie officers of the Army Corps acted *ex-officio* in important police posts. When the Governor-General in 1919 was replaced by the Civil Governor of Kwantung, all important police officials again became civil appointees.

When the Government-General was first established in 1906, the police force numbered 931, of whom 250 were Chinese assistant police. Owing to the stupendous growth of population, especially Chinese, in the Leased Territory and Railway Zone, during the last quarter century, the force was increased to 3,042, including 766 native assistants, at the end of the fiscal year ending March 31, 1930. With regard to the

cost of police administration, about 500,000 yen was spent in 1906, while the outlay increased to 4,306,000 yen in the fiscal year 1930.

The following table shows the number of police examinations and arrests in the Leased Territory and Railway Zone at intervals during the past twenty years:

Year	Offences against Criminal Law		Offences against Regulations		Bandit Offences		Piracy Offences in territorial waters of Leased Territory
	Leased Territory	Railway Zone	Leased Territory	Railway Zone	Leased Territory	Railway Zone	
1909.....	1,849	1,752	1,657	509	15	?	?
1912.....	2,216	1,617	4,691	507	0	4	19
1916.....	2,285	1,595	2,694	706	1	16	27
1921.....	3,372	3,078	5,147	1,289	6	14	4
1927.....	5,288	5,371	11,934	3,169	7	4	21
1928.....	6,373	5,736	11,220	5,087	8	13	6

48 Defence

Japan succeeded Russia in the right of military defence of the Leased Territory and the Railway Zone by virtue of the Treaty of Portsmouth which was subsequently confirmed by China. One division of the Japanese Army was stationed as the garrison, and eight battalions as railway guards, in the Leased Territory and the Railway Zone respectively. The railway guards in later years were reduced to a smaller number than that allowed by treaty, which provides that "the number of railway guards shall not exceed fifteen per kilometre." The Governor-General of Kwantung Province was at first the supreme commander of the forces in Manchuria, but as already stated, after the Governor-General in 1919 was superseded by the Governor of Kwantung, a civil appointee, the military power vested in the Governor-General was transferred to the Commander-in-Chief of the Kwantung Army, a post newly created. For the maintenance of the Kwantung Garrison and Railway Guards, the War Department of the Home Government has spent from seven to sixteen million yen annually in recent years.

To secure the defence of the Leased Territory, there is a buffer area or neutral zone along the northern frontier. Within this zone, though the civil administration is entirely in the hands of the Chinese authorities, Chinese troops are not permitted to enter without the consent of the Japanese (and formerly the Russian) authorities.

As to the naval defence of the Leased Territory, Port Arthur was created a Naval Station in 1909. The port was closed to merchant ships until July 30, 1910, when the West Harbour was thrown open

to the commerce of all nations, and the Chinese Imperial Maritime Customs invited to establish an office for the inspection of goods in transit. The Eastern or Inner Harbour was retained as a secondary naval station until December, 1922, and later as the base of the Naval Defence Corps. The Japanese Navy to-day maintains at Port Arthur only one light cruiser, a torpedo destroyer flotilla consisting of four boats, and a wireless telegraph station chiefly for local security.

49 Port Arthur To-day

Most of the forts and trenches on the hills overlooking Port Arthur, such as Tungchikuanshan Fort, Wang-tai Hill, Sungshashan Fort, and the famous 203 Metres Hill, the grave of so many thousands of Japanese troops, and on the fortification of which Russia spent an enormous amount of money, are now preserved as historical relics just as they were left at the close of the Russo-Japanese war. To-day they are among the "sights" of Port Arthur, and are inspected by thousands of tourists. Well-paved roads communicate with each fort and other places of interest, a motorcar trip affording an unforgettable afternoon's experience. Ogondai beach, facing the open sea, near the old Golden Hill Battery, is now a popular bathing resort with well-equipped dressing quarters. During the summer season a branch of the Yamato Hotel is open near the beach, and more than twenty bungalows located half-way up Ogondai Hill are provided for families, who come from all parts of China for the summer. A motor road to Dairen, about thirty miles in length, was completed in 1924 by the Kwantung Government at a cost of 1,350,000 yen.

Port Arthur which was regarded as the Gibraltar of the East under Russian rule, is to-day not only a commercial port, but a growing international pleasure resort under the Japanese *régime*.

50 Communications System

The communications system, post and telegraph, in South Manchuria was first established by the Japanese military authorities during the Russo-Japanese War. Soon after the establishment of the Government-General of Kwantung, the system was transferred to the Civil Administration Department of the Government-General by Imperial Ordinance issued in July, 1906. The Communications Bureau was established in Dairen, the Chief of Bureau taking charge of affairs

relating to posts, telegraphs, and telephones principally in the Leased Territory and Railway Zone.

Mails between Manchuria and Japan were originally carried by steamer twice a week, but this was increased to a daily service, by the land route, when the Antung-Mukden Railway was connected with the Government Railway of Korea in June, 1912. This was further increased to a service twice a day in August, 1918. Mail communication between South Manchuria and Europe was inaugurated in 1908, but was suspended for several years after September, 1918, owing to political disturbances in Russia. It was again suspended for six months in 1929 during the Sino-Soviet dispute on the Chinese Eastern Railway.

POSTAL SERVICES

The postal services conducted by the Communications Bureau outside the Railway Zone, in such districts as Hsinmintun and Kirin, were transferred, in 1922, to the postal system of the Chinese Government as a result of the Washington Conference.

The progress made in postal matters in the Leased Territory and the Railway Zone under Japanese rule may be seen in the following tables:

	Ordinary Mails			Parcel Post		
Year	Mail Matter Dispatched	Mail Matter Received	Total	Parcels Dispatched	Parcels Received	Total
1906–7 ...	12,821,242	13,014,613	25,835,855	52,941	146,072	199,013
1911–2 ...	13,182,814	16,636,493	29,819,307	167,882	346,804	514,686
1916–7 ...	18,650,218	22,191,108	40,841,326	233,574	494,580	728,154
1921–2 ...	45,261,990	50,470,004	95,731,994	396,993	827,118	1,224,111
1926–7 ...	41,656,134	48,410,573	90,066,707	334,681	739,941	1,074,622
1927–8 ...	49,949,123	54,044,010	103,993,133	346,931	799,612	1,146,543
1928–9 ...	57,559,461	61,491,136	119,050,597	390,306	933,981	1,324,287
1929–30...	56,764,733	63,026,523	119,791,256	421,203	1,096,399	1,517,602

POSTAL MONEY ORDERS

	Money Orders Issued			Money Orders Paid		
Year	Domestic	Foreign	Total	Domestic	Foreign	Total
1906–7 ...	6,196,940	278	6,197,218	1,348,308	176	1,348,484
1911–2 ...	6,514,280	15,336	6,529,616	2,702,890	5,190	2,708,080
1916–7 ...	9,103,950	9,474	9,113,424	4,057,266	6,113	4,063,379
1921–2 ...	20,305,443	17,385	20,322,828	10,425,284	8,190	10,433,474
1926–7 ...	16,071,691	62,496	16,134,187	8,516,987	107,326	8,624,313
1927–8 ...	17,458,948	66,693	17,525,641	8,243,679	113,327	8,357,006
1928–9 ...	18,405,342	59,538	18,464,880	8,604,820	130,232	8,735,052
1929–30...	18,989,987	52,391	19,042,378	8,952,765	85,663	9,038,428

POST OFFICE SAVINGS BANK

Year	Amount Deposited	Amount Withdrawn	Balance at End of Year	
			Number of Depositors	Amount of Deposits
1906–7	1,331,733	605,303	19,650	652,571
1911–2	2,516,694	2,326,418	61,362	2,349,666
1916–7	3,352,363	2,851,857	83,598	2,890,582
1921–2	7,821,406	6,962,200	147,292	7,298,626
1926–7	9,795,152	9,048,274	226,277	12,194,995
1927–8	14,019,291	10,579,185	243,952	16,373,338
1928–9	14,283,195	11,749,811	261,788	18,957,515
1929–30	16,733,534	13,284,352	280,678	22,974,324

When the Communications system was transferred to the Kwantung Government, the Japanese telegraph system in Manchuria had no connection with that maintained by the Chinese Government. Telegraph messages from Dairen to China proper had then to be sent through Japan. In order to facilitate telegraphic connection with China, a submarine cable was laid between Kwantung and Chefoo as a Sino-Japanese joint undertaking by virtue of a convention concluded on October 12, 1908. Three months later another agreement was concluded between the two Governments, by which the telegraph system in the Railway Zone was connected with the Chinese telegraph system at Antung, Newchwang, Liaoyang, Mukden, Tiehling and Changchun. Cable connection with Japan consisted of a telegraph line along the railway, via Chosen, and a submarine cable between Dairen and Saseho. In order to serve the increasing cable traffic, a direct line between Dairen and Tokyo, via Chosen, and another direct line between Mukden and Osaka were established in 1919. Further to facilitate the ever-increasing cable business between Manchuria and Japan, the Government, in 1920, caused the South Manchuria Railway Company to lay a submarine cable between Dairen and Nagasaki, which cost 2,720,000 yen. This cable was leased to the Government, and has been in operation since April, 1921.

A wireless telegraph station was installed in Dairen Bay in November, 1911, chiefly as an aid to navigation.

The telephone service in the Leased Territory and the Railway Zone, which was at one time operated by the Japanese military authorities in Dairen, Liaoyang, Mukden, and Port Arthur, was later taken over by the Communications Bureau and was opened to the public. This service was further extended to the principal towns along the railway.

The progress of the telegraph and telephone services made in the last twenty-five years is shown by the following table:

TELEGRAPHS

Year	Messages Dispatched			Messages Received			Messages in Transit
	Domestic	International	Total	Domestic	International	Total	
1906–7 ...	201,800	90,240	292,040	205,119	65,123	270,242	212,714
1911–2 ...	861,980	34,194	986,174	796,681	36,239	832,920	1,168,171
1916–7 ...	1,246,656	72,944	1,319,600	1,171,954	80,188	1,252,142	1,566,892
1921–2 ...	2,205,402	126,987	2,332,389	2,105,796	117,271	2,223,067	2,571,442
1926–7 ...	1,811,396	211,665	2,023,061	1,734,457	208,850	1,943,307	2,249,000
1928–9 ...	1,961,514	220,031	2,181,545	1,873,031	224,026	2,097,057	2,334,955
1929–30...	1,937,223	217,294	2,154,517	1,842,755	230,232	2,072,987	2,351,282

TELEPHONES

Year	No. of Users	Number of Automatic Telephone Boxes	Number of Messages		
			Within Urban Areas	Outside Urban Areas	Total
1906–7	785	—	1,948,871	105,100	2,053,971
1911–2	3,630	42	20,152,027	220,448	20,372,475
1916–7	4,976	58	26,907,685	369,756	27,277,441
1921–2	11,155	74	55,293,251	791,931	56,085,182
1926–7	14,816	99	110,521,767	1,097,210	111,618,977
1927–8	15,484	106	118,294,205	1,275,199	119,569,404
1928–9	16,407	117	138,271,214	1,515,852	139,787,066
1929–30	19,158	125	151,834,855	1,255,449	153,090,304

51 Educational, Hygienic and Other Services

In the Leased Territory and Railway Zone, where more than 82 per cent. of the total population, numbering 1,225,000, is Chinese, about 8,000,000 yen has been spent annually for education by the Kwantung Government and the South Manchuria Railway Company. The Kwantung Government also looks after hygiene and sanitation in co-operation with the Railway Company, and undertakings for the encouragement of agriculture and industry in the Leased Territory are conducted by both authorities. These educational and hygienic services, as well as measures for agricultural and industrial encouragement, will be treated later in separate chapters under the respective headings.

V SOUTH MANCHURIA RAILWAY

52 Introductory Remarks

The South Manchuria Railway is more than a railway company. In addition to its extensive railway undertakings in South Manchuria which constitute the main business, the Company conducts, as accessory enterprises, coal mines, iron works, wharves, warehousing, and other activities. The Company is also engaged in educational, hygienic and other public works within the Railway Zone; controls a number of joint-stock companies, electric and gas works, shipping and dockyard companies, hotel undertakings, etc., chiefly in South Manchuria, and acts also as a holding company for these concerns. The functions of the corporation and the volume of its business are possibly the largest of their kind in the Orient, and in some respects, are unsurpassed by any other concern in the Pacific area. The story of the Company's development is also, to a great extent, the story of the progress of Manchuria in the last quarter century, for both are inseparably related.

As stated in the previous Report, the business of the Company was achieving record results almost each year down to 1927, and expansion continued in the following two years. But the abolition of the gold embargo, enforced in January, 1930, in Japan, the radical fall of silver in China and elsewhere, and the world-wide economic depression had adverse effects on the Company's business for the fiscal year 1930, the railway receipts alone having fallen off by about 30,000,000 yen as compared with the fiscal year 1929.

In July, 1929, there was a change in the presidency and directorate, which was followed in 1930 by certain readjustments of the internal organization of the Company in order to meet the changing conditions of the business world.

53 Organization

As stated in the last Report, the South Manchuria Railway Company was formed by Imperial Ordinance No. 142 of June 7, 1906, and a Government Order of August 1. The Articles of Incorporation were passed at the general meeting of shareholders on November 22, 1906, at which the status of the corporation, its business functions, certain powers of Government control and other conditions were prescribed. The ordinance provided, (1) that a joint stock corporation, called the Minami Manshu Tetsudo Kabushiki Kaisha (South Manchuria Railway Joint

Stock Company) should be organized for the purpose of engaging in railway traffic in Manchuria; (2) that the shares of the Company should be registered and owned only by the Japanese and Chinese Governments or by their nationals; (3) that the Japanese Government may offer as a part of the capital its Manchuria railways, coal mines and appurtenances obtained in 1905 from Russia by the Treaty of Portsmouth and approved by China in virtue of the Peking Treaty concluded in the same year; (4) that the President and Vice-President should be appointed by the Government, and the directors appointed from among the shareholders, but that the directors should be elected first at the General Meetings of shareholders; (5) that to matters relating to the Company not provided for by this ordinance the provisions of commercial law should be applied. Thus the South Manchuria Railway Company came into existence by a special charter of the Government, but essentially as a joint-stock company organized in conformity with the provisions of the Commercial Law of Japan. When Baron (later Count) Goto was recommended at the general meeting as President of the newly-established corporation, the President spoke on the mission of the South Manchuria Railway. He declared that though the total length of the railways to be operated by the Company was a little less than 700 miles, their position constituted a link in world communications, and provided international business facilities, not only for the Orient but also for the world at large. The policy of the Company should be in conformity with the will of the Government and the shareholders, but should give greater weight to the general wishes of business men at home and abroad. More particularly should a spirit of co-operation with the Chinese authorities and people be cultivated.

Most serious attention was paid to the selection of the personnel of the governing board of the Company. Baron Goto, who had exhibited organizing and executive ability in civil administration and industrial undertakings in Formosa, having been appointed President, the directors of the Board were selected from among persons having ability and experience in banking, trading, and railway operation, in the legal profession, and in civil administration. Baron Goto's service, though it was of short duration, being rather less than two years, placed the Company on a sound basis. The terms of office of the President and Vice-President were fixed at five years, and of Directors at four years; but it is a matter of regret that political changes in Japan have often compelled a change in the presidency of the Company, so that ten Presidents have functioned during the last 23 years. During these years, however, the Company has made great progress; its investments have increased to 716,201,000 yen from 101,-800,000 yen, and its annual profit to 45,505,000 yen from 2,017,000 yen.

Dr. Sengoku, President of the S. M. R. inspecting the Oyama Pit at Fushun Colliery

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The present President of the Company, Dr. Mitsugu Sengoku, and the Vice-President, Mr. Komatsuchi Odaira, were appointed respectively on August 14 and 18, 1929. President Sengoku has unusual ability and long experience in railway affairs, being formerly technical expert in the service of the Japanese Government Railways, later President of the Board of the Government Railways, and subsequently Minister of State for Railways. He was one of the Organization Committee of the South Manchuria Railway in 1906. Vice-President Odaira, who has had experience in the management of mines in the Government service as well as in private companies, served as Vice-President of the S. M. R. for 1924–27, and after three years' interval, again joined the Company as Vice-President.

It is the policy of the new President to place the Company's business under more scientific or rational management, and to increase efficiency, in order to meet the demands of the times. In an address to the Company's officers and employees on April 28, 1930, the President expressed his determination to place the Company's organization on a more scientific basis, and asked their co-operation, inviting them to tender advice and suggestions to the Service Investigation Committee which was organized to investigate the existing service system of the Company and to draft a new system. The new service system of the Company which was approved by the Government authorities, was finally enforced on June 14. The organization of the Company, as hitherto existing, was divided into five departments, in addition to the President's secretariat and a number of affiliated offices. By the new system, the whole organization is divided into twelve departments according to class of business, that is, General Management, Planning, Foreign Affairs, Treasury, Railway, Coal Mines, Iron Works, Sales, Industrial, Local Administration, Construction Works, and Purchasing & Stores Department. The Vice-President and Directors, whose functions were hithertofore not clearly defined, are made heads of departments, each assuming responsibility for the Department under his charge. This caused an increase in the Directorate from six to eight, the directors being Baron Okura, Dr. Godo, Messrs. Fujine, Kimura, Kohmuchi, Murakami, Omori and Sogo. Thus the policy of placing the Company's business on a more scientific basis by readjusting the extensive organization, and by eliminating more than 890 officers and employees, is expected to assure more satisfactory management and service and curtail expenses. At the general meeting of the Company's shareholders held on June 20, 1930, in Tokyo, the President, in his opening address, stated in effect as follows :—

The prevailing general economic depression has also affected Manchuria. The drop in silver has specially affected Chinese business

houses, a number of which have already gone into bankruptcy. This naturally reduces the Company's receipts derived from railways, coal mines, iron works and other sources. This situation only can be coped with by increasing receipts and cutting down expenses as far as possible. Regrettable as it is, the elimination of numbers of officers and employees of the Company was effected recently when the new service system went into force, but the effect must be the increase of efficiency.

It should be mentioned that the former President, Mr. Jotaro Yamamoto, though his service was only of two years' duration, initiated some important undertakings and made effective improvements in business methods, the result augmenting the Company's profits.

The organization of the South Manchuria Railway Company, based on the new service system which went into force on June 14, 1930, is shown in the following summary:

- General Management Department
  - General Affairs Office
  - Documents Office
  - Personnel Office (including Apprentice School)
  - Labour Office
  - Research Office
  - Auditing Office
  - Inspection Office
  - Tokyo Branch Office
  - Harbin Office
- Planning Department
  - Enterprise Office
  - Technical Office
  - Efficiency Office
  - Bureau of Technology
- Foreign Affairs Department
  - General Affairs Office
  - Foreign Intercourse Office
  - Intelligence Office
  - Shanghai Office
  - New York Office
  - Mukden Agency
  - Peiping „
  - Teichiatun „
  - Kirin „
  - Taonan „
  - Tsitsihar „
- Treasury Department
  - Finance Office
  - Accounting Office
- Railway Department
  - General Affairs Office
  - Passenger Traffic Office
  - Freight Traffic Office
  - Through Traffic Office
  - Train Operating Office
  - Engineering Office
  - Maintenance of Communications Office
  - Railway Accounting Office
  - Railway Training School
  - Dairen Transportation Office
  - Mukden „ „
  - Changchun „ „
  - Dairen Rolling Stock Office
  - Mukden „ „ „
  - Changchun „ „ „
  - Dairen Maintenance of Way Office
  - Mukden „ „ „ „
  - Changchun „ „ „ „
  - Wharf Office
  - Railway Workshops

President
Vice-President and Directors

- Coal Mine Department
  - General Affairs Office
  - Mining Works Office
  - Electric Engineering Office
  - Mechanical Engineering Office
  - Chemical Engineering Office
  - Coal Mine Accounting Office
  - Kojoshi Colliery Shop
  - Oyama „ „
  - Togo „ „
  - Yohakuho „ „
  - Higashigaoka „ „
  - Rokodai „ „
  - Ryuho „ „
  - Yentai „ „
  - Coal Transportation Office
  - Construction Works Office
  - Power-House
  - Coal Mine Workshops
  - Oil Refinery
  - Powder Mill
  - Scientific Research Laboratory
- Iron Works Department
  - General Affairs Office
  - Mining Works Office
  - Manufacturing Office
  - Construction Office
  - Blast Furnace
  - Dressing Plant
  - Coke & By-Product Plant
  - Power & Water Works
  - Machine Shops
- Sales Department
  - General Affairs Office
  - Coal Sales Office
  - Pig Iron Sales Office
- Industrial Department
  - General Affairs Office
  - Commerce & Industry Office
  - Agriculture Office
  - Central Laboratory
  - Geological Survey Institute
  - Agricultural Experiment Station
  - Animal-Disease Research Institute
  - Manchuria-Mongolia Resources Museum
- Local Administration Department
  - General Affairs Office
  - Local Affairs Office
  - Education Office
  - Sanitation Office
  - Manchuria Medical College
  - South Manchuria Technical College
  - Manchuria Teachers' College
  - Middle Schools (5)
  - Girls' High Schools (4)
  - Commercial Schools (3)
  - Agricultural Schools (2)
  - Commercial Training Schools (2)
  - Industrial Training School (1)
  - Agriculture Training Schools (2)
  - Dairen Library
  - Mukden Library
  - Hygienic Institute
  - Local Administration Offices at Wafangtien, Tashihchiao, Yingkou, Anshan, Liaoyang, Mukden, Tiehling, Kaiyuan, Ssupingkai, Kungchuling, Changchun, and Penchifu.
  - Hospitals at Dairen, Wafangtien, Tashihchiao, Yingkou, Anshan, Liaoyang, Tiehling, Kaiyuan, Ssupingkai, Changchun, Kirin, Penchifu, Antung, and Fushun.
- Construction Works Department
  - General Affairs Office
  - Civil Engineering Office
  - Architectural Office
  - Harbour Works Office
  - Harbour Construction Office
- Purchasing & Stores Department
  - General Affairs Office
  - Purchasing Office
  - Stores Office

54 Finance and Accounting

The authorized capital of the Company was originally 200,000,000 yen, of which 100,000,000 yen was furnished by the Japanese Government turning over all its property in railways and coal mines and their appurtenances to the Company. The other half was offered for subscription to the Chinese Government and the Japanese and Chinese public, but this offer was not accepted on the part of the Chinese. When the first issue of shares was floated in September, 1906, the Japanese general public over-subscribed the issue no less than 1,066 times. Up to March, 1920, 80,000,000 yen was paid up, leaving 20,000,000 yen uncalled, but with the necessary development of the Company's activities, especially after the Great War, the Company increased its capitalization from 200,000,000 yen to 440,000,000 yen. The Government again increased its holdings by 120,000,000 yen, or half of the increased capital, by taking over three debenture issues which the Company had floated on the London Market: £ 4,000,000 of five per cent., £ 2,000,000 of five per cent., and £ 6,000,000 of four and one-half per cent., totaling £ 12,000,000. The actual net receipts were £ 12,000,000, being 117,156,000 yen in Japanese currency, while of the Government holding 2,844,000 yen was left unpaid. Of the remaining shares, amounting to 220,000,000 yen allotted to the general public, 170,000,000 yen have been subscribed, and 50,000,000 yen remain uncalled, as on March 31, 1930.

The Company was originally authorized to issue debentures to the amount of the unpaid share capital belonging to other than Government holders. By Imperial Ordinance No. 4 of 1910, this amount could be expanded to twice the amount of all paid-up share capital, but could not exceed the amount of the authorized capital. The Government may guarantee the payment of interest and principal of the debentures to the same extent, if necessary, but debentures issued with the Government guarantee must be redeemed within twenty-five years.

The financial policy of the Company in the first stage was to raise funds for its undertakings more by issuing debentures than by floating new capital shares. Finding the most favourable market in London, four issues of debentures, aggregating £ 14,000,000, were floated there in succession during the four years ending January 3, 1911. Of these debentures, £ 12,000,000 were, as previously stated, taken over by the Government in payment for its holdings of share capital, and the remaining £ 2,000,000 were redeemed on July 1, 1911. Since then, more than twenty-three issues of debentures were made in

Japan up to May 31, 1930, including one amounting to £4,000,000 which was issued on the London market on July 19, 1923. Eleven out of these twenty-three issues had been redeemed up to the end of the business year on March 31, 1930, leaving twelve issues outstanding, aggregating 277,214,500 yen.

The Company started its undertakings in 1907 with an estimated fund of 100,000,000 yen, of which 80,000,000 yen was raised by floating bonds in England and 20,000,000 yen by calls on shares.

The funds thus raised by the means mentioned above have been invested in various enterprises. During the last twenty-three years, ending March 31, 1930, the investment in direct undertakings, including the appraised value of properties taken over by the Company from the Japanese Government in 1906, aggregated 716,201,517 yen, as shown by the table below:

	1907–8	1912–3	1917–8	1922–3	1929–30
Railways	34,542,910	97,113,296	105,530,752	189,616,304	261,882,378
Workshops	763,906	6,048,094	7,569,359	11,068,325	6,503,988
Steamships	—	3,385,357	2,680,317	3,559,874	—
Harbours	6,640,837	14,779,320	24,099,384	37,064,308	78,093,974
Coal Mines	46,396,043	56,469,164	71,097,985	121,056,784	112,276,860
Shale Oil Plant .	—	—	—	—	8,961,173
Iron Works	—	—	4,447,760	34,541,803	27,127,139
Chemical Fertilizer Plant.....	—	—	—	—	47,235
Electricity	474,695	5,002,052	5,738,182	15,237,405	—
Gas.....	3,592	1,170,495	1,554,778	5,434,140	—
Hotels	216,302	1,342,106	2,075,006	2,370,222	—
Public Works ...	3,374,494	11,022,573	17,786,171	40,863,288	172,513,955
Others	9,459,178	18,544,224	21,782,973	46,074,005	48,794,812
Total	101,871,957	214,876,681	264,362,667	506,886,458	716,201,514

The growth of these enterprises is shown by the following table of receipts, expenditures, and net profits:

Fiscal Year	Receipts	Expenditures	Profits	Percentage of expenditure against receipts
	yen	yen	yen	
1907–8	12,543,116	10,526,531	2,016,585	84
1912–3	33,546,477	28,620,433	4,926,045	85
1917–8	69,429,252	54,503,610	14,925,643	79
1922–3	169,956,646	134,876,402	35,080,244	79
1929–30	240,998,062	195,492,205	45,505,857	84

The net profit of the Company for the year 1907 was 2,000,000 yen; it had increased to 45,000,000 yen twenty-three years later. The railways furnish the most important item of profit, the total amounting

to 74,800,000 yen to-day, surpassing by far the net profit of the Company. Next to the railways, the coal mines yield about 12,200,000 yen profit, harbour undertakings about 3,500,000 yen, and iron works about 542,000 yen. Other enterprises of the Company to date are conducted at a loss, or a nominal profit, but are designed for the public benefit and to develop traffic for the railway. The expenditures for local public works such as schools, hospitals, street and road-building, industrial and agricultural model farms, etc., were more than 18,200,000 yen, and the receipts less than 4,600,000 yen. The following table shows the profit and loss account of the Company for the fiscal year ending March 31, 1930.

	Receipts	Expenditures	Profit & Loss
Railways	122,103,742.64	47,213,507.72	74,890,234.92
Harbours	12,276,104.14	8,719,477.00	3,556,627.14
Coal Mines	84,364,664.58	72,089,548.36	12,275,116.22
Iron Works	8,939,705.95	8,397,103.26	542,602.69
Local Public Works	4,689,833.38	18,288,335.91	−13,598,502.53
Interest on Deposits and Loans	7,123,745.34	22,211,347.36	−15,087,602.02
Overhead Charges		15,105,880.32	−15,105,880.32
Sundry Profit & Loss	1,500,266.10	2,161,525.00	− 661,258.90
Depreciation Fund for Debentures		1,305,480.16	− 1,305,480.16
Total	240,998,062.13	195,492,205.09	45,505,857.04
Previous Year	240,427,752.27	197,874,891.25	42,552,861.02

In the matter of dividends on the net profit of the Company, the Japanese Government guaranteed payment up to 6 per cent. on the publicly held shares, if the dividend should fall below that percentage; but the Company's enterprises, especially the railways, were so successful that a 6 per cent. dividend on the publicly held shares was paid from the first fiscal year, and was gradually increased to 11 per cent. in 1928. The Government shares in the profit, but only after payment has been made of all charges and of the 6 per cent. dividend on the public shares. The Government received such dividends from the fiscal year 1909, and has received 4.3 per cent. on its holding since 1921. But it has again been increased to 5 per cent. since 1928.

Appended is the General Balance Sheet, showing Assets and Liabilities at the end of the Fiscal Year, March 31, 1930, and the disposal of Profits. The assets for the first time reached over one billion yen.

ASSETS

Capital Stock uncalled	¥ 52,844,000
Fixed Investment	716,201,517
Merchandise	6,686,120
Stores and Supplies	8,323,454
Bonds and Shares	94,226,837
Cash on Hand	192,878
Deposits	33,963,269
Loans	69,265,704
Securities Received in Pledge	6,400,718
Due from other Concerns	610,856
Guarantee Fund	12,770
Bills receivable	7,333,763
Miscellaneous Accounts receivable	54,816,123
Miscellaneous Accounts paid in advance	23,330,441
Unadjusted Balance in Engineering and Workshop Accounts	2,083,687
Discounts on Bonds and Charges	11,084,615
Exchange Accounts	60,904
Total Assets	1,087,437,658

LIABILITIES

Capital Stock authorized	¥ 440,000,000
Legal Reserve	22,430,000
Special Reserve	145,400,000
Bills payable	22,000,000
Retirement Allowance Fund for Employees	6,500,000
Debentures	277,102,000
Due to other Concerns	1,000,865
Securities given in Pledge	12,350
Guarantee Fund	4,124,777
Exchange Accounts	38,376
Savings Deposits of Employees	8,226,953
Guarantee Deposits of Employees	36,905,670
Mutual Relief Society Fund	4,719,510
Miscellaneous Accounts payable	59,322,557
Matured Bonds unpaid	61,600
Miscellaneous Accounts received in advance	3,892,947
Balance brought from previous Term	10,194,195
Net Profit	45,505,857
Total Liabilities	1,087,437,658

Net profit for the Year ended March 31, 1930	45,505,857
Balance brought from previous Term	10,194,195
Total	55,700,052

DISPOSAL OF PROFITS

Legal Reserve	¥ 2,280,000
Dividends on Government Stock	11,509,268
Dividends to Shareholders other than Government (6% per annum).	10,200,000
Supplementary Dividends to Shareholders (5% per annum)	8,500,000
Special Reserve	10,000,000
Retirement Allowance Fund for Employees	2,000,000
Bonuses to Officials	650,000
Balance carried forward	10,560,784
Total	55,700,052

During the past twenty-three years, the special reserve, the legal reserve and other funds were gradually increased, and aggregated about 177,000,000 yen at the end of the fiscal year closing March 31, 1930. On the other hand, more than 145,000,000 yen in the investment account have been written off in the same period in respect of depreciation of the Company's properties. It will thus be seen that the financial standing of the Company is on a sound basis.

55 Railways

The South Manchuria Railway Company to-day owns and operates railway lines totaling 690.8 miles, in which the sum of 261,882,378 yen was invested up to the end of the fiscal year ending March 31, 1930. The gross revenue for the year was 122,103,743 yen, expenditure 47,213,508 yen, and profits 74,890,235 yen, or 109,152 yen per mile. These figures reveal the fact that in efficiency and earning capacity the S. M. R. probably surpasses the leading railways in America, Europe, or Japan. But, owing to the heavy investment of capital in the form of debentures and in the various services for sanitation, education, and other public works, the profits of the Company as a whole are considerably diminished by the payment of interest and by the expense of these services.

Concerning the railway receipts of the Company, it should be mentioned that the figure amounting to 122,103,743 yen for the fiscal year ending March 31, 1930, was the highest recorded in the Company's history. The radical fall of silver in China and the world-wide depression adversely affecting railway operation in 1930, the gross revenue of the railway account for the following fiscal year (ending March 31, 1931) fell off to 91,307,359 yen.

56 Reconstruction and Improvement

The railway system that the Company first took over from the Japanese Government in April, 1907, was in rather a depleted state. During the Russo-Japanese war, most of the rolling stock was withdrawn by the Russians, or destroyed in their retreat, and the bridges were blown up. With the advance of the Japanese armies to the north, the track was changed from the five-feet Russian gauge to the narrow gauge used by the railways in Japan, so that Japanese rolling stock might be the more readily utilized in the Manchurian campaign. Before the Company came into existence, however, the standard gauge of 4.8½ feet had been already adopted in Korea and China. In order to serve international trade on the Asiatic continent more efficiently, the South Manchuria Railway Company promptly adopted the standard gauge and the double track as ordered by the Government.

By adopting the standard gauge, it was also observed that the reconstruction work might be quickly carried out without much interruption of traffic if American rails and rolling stock were imported.

Immediately after the railways were transferred from Government control on April 1, 1907, a comprehensive programme of reconstruction was begun. The work of widening the gauge on the branch line, Dairen-Port Arthur (31.6 miles) was completed by December 1, 1907; on the main line, Dairen-Changchun, through Mukden (438.5 miles), by April 30, 1908, and on two other branch lines, respectively to Yingkou and Fushun Mine, by May 30. The doubling of the track between Dairen and Suchiatun, a distance of 238⅓ miles, was begun at the same time, and was completed on October 27, 1909. The doubling of the track between Suchiatun and Mukden, a distance of ten miles, begun in June, 1915, was completed in November, 1918. The doubling of the track further north, from Mukden to Changchun, was begun in 1919, and is now nearly completed. The original Russian 65 lb. rails were first replaced with 80 lb. and, later, with 100 lb. rails. The roadbed being constantly improved, the steepest grade on the trunk line between Dairen and Changchun is now only one per cent., while the shortest radius of any curve is 15 chains.

The line between Antung and Mukden was originally built as a light military railway by the Japanese during the Russo-Japanese war. As already stated, Japan obtained from China the right to reconstruct the railway on standard gauge and operate and maintain the same for the purpose of international trade and industry. When this railway was transferred to the charge of the Company, it was decided to

substitute the standard gauge within three years. But, owing to the controversy which arose on the subject between China and Japan, and to the line traversing mountainous regions, the reconstruction work was delayed until August 7, 1909, when the tunneling work at Fuchinling was begun. The whole work, including 24 tunnels, 205 bridges, and 213 culverts, was completed in two years and three months, and on November 1, 1911, the opening of this 161-mile railway held with appropriate ceremony. The reconstruction cost amounted to about 25,000,000 yen. This line is still a single track and 80 lb. rails are used, but these are now being replaced by 100 lb. rails.

The lines owned and operated by the South Manchuria Railway Company are as follows:—

1.	Dairen-Changchun Main Line	438.5 miles
2.	Antung-Mukden Main Line	161.7 „
3.	Port Arthur Branch line from Choushuitzu	31.6 „
4.	Yingkou Branch line from Tashihchiao	13.9 „
5.	Yentai Colliery Branch line	9.7 „
6.	Fushun Branch line from Hunho	35.4 „
	Total	690.8 miles

Rolling stock has been increased almost four-fold during the past twenty-three years, as shown in the accompanying table:—

	Fiscal Year ending March 31, 1908	Fiscal Year ending March, 31, 1930
Locomotives	202	422
Passenger Cars	104	467
Freight Cars	2,181	7,838
Total	2,487	8,727

57 Traffic and Operation Regulations

Regarding traffic and operation regulations, those controlling the administration of the Government Railways in Japan proper were first applied to the South Manchuria Railway. In order to meet the different conditions existing in Manchuria, as well as to make these lines more effective as an important link in world communications, the Company enacted its own Traffic Regulations in October, 1909. By these Regulations, the Company's responsibilities towards both passengers and shippers of goods are more clearly defined, and greater facilities provided, while the operation of the lines was developed into a smoothly working system. However, many changing conditions, specially during and after the great European war, necessitated the revision of these

regulations in October, 1927, by which greater traffic efficiency and unity in operation have been secured.

58 Railway Rates

The rates for passengers at present are: first class, 7 sen per mile; second class, 4½ sen; third class, 2½ sen. For travel on the express trains, composed of excellently equipped Pullman sleeping and dining cars, an extra express ticket is required, at the rate 3 yen for first class, 2 yen for second class and 1 yen for third class for distances up to 500 miles. Special reductions in rates, however, are made from time to time to encourage local development and assist in relief work. During the North China famine in 1920, a 50 per cent. reduction in freight rates on supplies moving into the famine district was made, while thousands of Chinese famine refugees were transported free of charge. As already stated in the section on Immigration, for the refugee immigrants driven out during 1926–7 from Shantung and Chihli provinces by the civil war, a 35 to 40 per cent. deduction was made, while infants and children under the age of 15 and aged persons above 60 were carried free.

Freight tariffs have also been subjected to frequent changes since the opening of the railway. At first goods were divided into two classes, ordinary and carload consignments, and in 1910 the ton unit consignment was added. In October, 1919, goods were classified into four classes, and the American ton was fixed as equal to 1,512 kin. In November, 1919, a thorough revision of the tariff was carried out, and the rates were increased by 40 per cent. The rates for piece and carload consignments now in force are as follows:

CHARGES PER 100 KIN PIECE CONSIGNMENT

Classes	1–100 miles	101–200 miles	201–400 miles	400 miles & upwards
	¥	¥	¥	¥
1st class goods.....	6.25	6.00	5.75	5.50
2nd „ „	5.00	4.80	4.60	4.40
3rd „ „	3.75	3.60	3.45	3.30
4th „ „	2.50	2.40	2.30	2.20

The tariff for carload consignment per mile per ton is as follows:

Classes	1–100 miles	101–200 miles	201–400 miles	400 miles & upwards
	¥	¥	¥	¥
1st class goods.....	6.25	6.00	5.75	5.50
2nd „ „	5.00	4.80	4.60	4.40
3rd „ „	3.75	3.60	3.45	3.30
4th „ „	2.50	2.40	2.30	2.20

Special goods such as dangerous articles and live stock are charged at special rates, that is, 30 to 100 per cent. more than the usual rate per ton of 2nd class ordinary consignments.

Commodities such as medicines, silk goods, musical instruments and toys are classified as 1st class goods; cotton goods, leather, and furniture are classified as 2nd class goods; sugar, flour, beans, bean cake, and kaoliang are classified as 3rd class goods; while coal, bricks and lumber are classified as 4th class goods.

59 International Through Traffic

International through routes for passengers and freight have been gradually established in co-operation with the various railways and sea lines to Chinese and Japanese ports and inland cities, and to Europe and America. Supplementing international traffic being an important undertaking, the Company made constant efforts to this end, particularly in co-operation with Russia. When Baron Goto, the first President of the Company, went in May, 1908, to Petrograd, he made preliminary arrangements with Mr. Wentzel, Vice-President of Chinese Eastern Railway, for direct through traffic between the South Manchuria Railway and the Chinese Eastern Railway. In October, the Company inaugurated an express service between Dairen and Changchun, consisting of sleeping and dining cars of Pullman type, and connecting at Changchun with the Trans-Siberian trains of the International Sleeping Car and Express Train Co. and the Russian State Express. At Dairen an efficient steamship service operated between Dairen and Shanghai; and another service was arranged between Dairen and Japan. By the rebuilding of the line from Mukden to Antung, and the opening of the great bridge across the Yalu in 1911, thus connecting the Manchuria and Cho-sen lines, which connect with the Imperial Government Railways of Japan through the channel steamer service between Fusan and Shimonoseki, a new world highway system between Japan and Europe was established. In January, 1913, more detailed arrangements for through traffic service of freight were made at Petrograd between the Japanese Government Railways, Korean Government Railways, South Manchuria Railways, Osaka Steamship Company, Chinese Eastern Railway of North Manchuria, and Russian Volunteer Fleet. There was also a through traffic arrangement for tourists between the Far East and Europe, going via Trans-Siberian Railways and returning via Suez Canal, or vice versa. In this round trip, the North German Lloyd, the Peninsular and Oriental Steam Navigation Co., and the Messageries Maritimes participated.

Round-the-world through traffic was also arranged by the participation of the Canadian Pacific Railway Co. and other companies with regular services on the Atlantic and Pacific. But the European war, and later the Russian political disorders, caused all these international through traffic arrangements to be suspended.

Subsequently the International Through Traffic Railway Convention was concluded by the Second General Conference on Transportation of the League of Nations, held at Geneva in November, 1923, and to which the South Manchuria Railway Company adhered. Japan made persistent efforts to re-establish through traffic between the Far East and European Russia; the Soviet Government recognized this necessity, but negotiations did not reach a practical stage until the preliminary arrangement was made in December, 1926.

To-day, travellers between Europe and Japan or China, taking the South Manchuria Railway, can save a great deal in both expense and time. The first class fare from Tokyo to London is 743 yen, the time 15 days by rail, as against 1,200 yen and 30 days via America by steamer. From Shanghai to London, the fare is 600 yen; the time 15 days by rail, and 1,050 yen and 41 days by steamer, via Suez.

60 The Growth of Traffic

During the last twenty-three years, there has been a remarkable growth of traffic on the South Manchuria Railway, despite all obstacles to progress, the constant activities of Manchurian bandits, and the frequent threat of civil war. The number of passengers carried has increased more than six-fold, and the tons of freight handled more than eighteen-fold. The stupendous increase of freight, though augmented each year by shipments of coal mined by the Company itself, is due to the ever-increasing agricultural produce, especially the Manchurian bean. The number of passengers increased more than five times in the period — an increase wholly due to the third class passengers. On the other hand, first and second class passengers rather show a decrease. The express train service, including Pullman cars and American dining and observation cars, is maintained for the international traffic, and is run at a loss.

The table below shows the growth of freight and passenger traffic:

	Tons of Freight			Passengers	
Items	1907–8	1929–30	Passengers	1908–8	1929–30
Coal	165,521	9,850,882	1st class	39,152	13,473
Beans	202,857	3,296,534	2nd „	925,493	159,536

Beancake	637,773	471,664	3rd „	547,586	10,237,780
Kaoliang		408,883			
Millet.....		306,783			
Flour	12,410	240,443			
Other Grain ...	73,847	565,725			
Lumber.....		754,472			
Salt.....	47,012	185,960			
Mineral Products		566,372			
Other Items...	852,469	3,814,099			
Total.....	1,491,359	20,461,817	Total ...	1,512,231	10,410,879

The table in the following page shows in greater detail the activities of the Company in regard to capital investment, passengers and freight, gross receipts and expenditures, and net receipts during the past twenty-three years:

	Length of Lines open to Traffic	Amount of Investment	Passengers		Freight		Total Receipts	Expenditures	Profit*	Profit per mile
			Number	Receipts	Tons	Receipts				
1907–8	706.1	9,099,301	1,512,231	¥ 3,564,239	1,486,434	¥ 6,160,274	¥ 9,768,887	¥ 6,101,615	¥ 3,667,272	¥ 5,194
1908–9	707.0	31,610,061	1,868,140	2,964,587	2,609,036	9,542,262	12,537,142	5,161,408	7,375,734	10,432
1909–10	704.0	39,886,731	2,179,062	3,250,412	3,568,527	11,241,859	15,016,198	5,818,333	9,197,865	13,065
1910–1	710.9	53,983,448	2,349,088	3,264,639	3,922,164	11,641,529	15,671,605	6,542,640	9,128,965	12,841
1911–2	701.2	65,793,403	3,158,270	4,273,423	4,705,690	12,471,415	17,526,288	6,908,354	10,617,934	15,143
1912–3	693.8	70,299,781	3,905,822	5,008,633	4,681,968	13,913,341	19,907,456	7,846,923	12,060,533	17,383
1913–4	693.9	72,262,371	4,143,687	5,069,127	5,782,161	16,159,171	22,275,132	7,913,948	14,361,184	20,696
1914–5	690.8	73,498,299	3,617,547	4,367,168	5,705,948	17,550,150	23,216,721	8,345,286	14,871,435	21,528
1915–6	687.3	74,192,210	3,708,165	4,842,338	5,860,716	17,260,655	23,532,118	8,174,520	15,357,598	22,345
1916–7	687.2	75,961,985	4,410,816	6,040,453	6,229,757	19,882,476	27,815,349	8,435,939	19,379,410	28,201
1917–8	687.2	78,583,598	5,844,929	8,136,707	7,274,177	23,793,056	34,457,923	10,858,734	23,599,189	34,341
1918–9	687.2	106,164,946	7,491,946	10,911,382	8,334,084	30,377,682	44,992,872	17,038,157	27,954,715	40,679
1919–20	986.9	132,058,415	9,274,114	14,243,790	10,096,672	46,305,759	67,060,720	30,531,782	36,531,782	53,184
1920–1	696.2	166,225,464	8,123,411	14,659,337	10,154,259	63,867,090	85,316,806	36,760,264	48,556,542	70,762
1921–2	686.0	178,847,524	6,926,619	12,194,288	10,400,208	59,615,835	78,204,132	32,172,717	45,031,415	65,642
1922–3	686.0	189,616,304	7,645,068	12,389,464	12,043,870	69,518,111	87,813,029	34,169,285	53,643,744	78,198
1923–4	686.9	198,123,025	8,762,862	13,431,856	13,371,673	72,582,757	92,269,704	35,787,589	56,482,115	82,228
1924–5	693.3	211,457,092	8,732,718	13,645,538	14,588,437	77,019,368	92,561,732	39,553,297	56,008,435	80,785
1925–6	694.8	220,788,864	9,109,004	14,530,942	15,045,292	80,535,820	97,395,228	38,800,691	58,594,537	84,333
1926–7	693.5	225,039,369	8,290,085	15,216,353	16,535,194	89,513,059	107,923,567	45,951,623	61,971,944	89,861
1927–8	690.8	239,517,926	8,263,089	16,102,953	18,427,775	94,040,819	113,244,180	45,235,835	68,008,345	98,449
1928–9	690.8	249,703,229	9,702,119	17,619,293	19,323,549	97,738,147	118,639,090	44,358,065	74,281,024	108,262
1929–30	690.8	261,882,378	10,410,579	17,451,585	20,461,816	101,089,474	122,103,743	47,213,508	74,890,235	109,152

* The figures in "Profit" of the Railway Account alone much exceed the net profit of the Company, which bear overhead charges, interest on heavy investment in form of debentures, and expenses for education, sanitation and other public works in the Railway Zone.

61 Railway Workshops

Originally, during the Russian *régime*, a railway workshop stood within the compound of Dairen Station. After the Company had taken charge in 1907, it was decided to build a new modern-equipped workshop on an extensive scale at Shakako, near Dairen. Construction work was commenced toward the end of 1908, and completed in August, 1911. These shops have the capacity of executing repairs simultaneously on 27 locomotives, 36 passenger cars, and 130 freight cars, while at the same time, constructing or repairing other railway material, mining machinery, etc. The Shakako shops are among the largest in the Orient. Of the rolling stock now in use, 105 locomotives, 281 passenger cars, 4,179 freight cars, and 145 caboose cars were constructed at Shakako. In addition, a number of orders have been filled for the Cho-sen Government Railways and Chinese Government Railways. Another repair shop on a smaller scale was located at Liaoyang. But it was closed in January, 1930, and its plant transferred to the Shakako Shops, which are now called the Railway Work Shops. The Company has invested more than 6,500,000 yen in these works, where 1,280 Japanese and 1,497 Chinese per day are employed. During the fiscal year ending March 31, 1930, 297 locomotives, 546 passenger cars and 4,750 freight cars were repaired and reconstructed, while 8 locomotives, 16 third-class passenger cars, 20 heavy oil tank cars, 370 freight cars, and 15 caboose cars, were constructed or assembled. The total expenditure on this work during the year amounted to 13,917,857 yen.

62 Dairen Harbour

The construction and administration of harbours in most countries are conducted by the Government. At the port of Dairen in the Leased Territory, however, harbour construction and administration are entrusted to the South Manchuria Railway Company, much as the Great Western Railway Co. carries on similar works at Cardiff, Port Talbot, and Barry Docks, in South Wales. But the quarantine administration in Dairen harbour is wholly conducted by the Kwantung Government. The Russians originally planned to make the port of Dairen (Dalny, as christened by them) the southern terminal of the Chinese Eastern Railway, it being an ice-free port, of which they had dreamed for a century. Their investment in the development of the city and harbour of Dairen was estimated at over 30,000,000 roubles. When the harbour was placed under the Company's charge, it was far

Dairen Wharves

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from being complete, only one pier having been finished, while quays and breakwaters were only partly constructed. The dredging of the harbour had also been very incomplete, the greater portion being untouched.

The Company, though it followed in the main the plan laid down by the Russians, immediately entered upon a comprehensive scheme of harbour improvement. Direct communication between land and sea being one of the Government requirements, it was provided that trains come direct to the steamer-side, and thus cargoes and passengers are transferred with the least delay. The breakwaters were improved and completed in March, 1918, and the old Russian pier was reconstructed. Two new piers have since been built, and the fourth is now under construction, the completion of which is expected this year (1931). Three wharves between four piers are also completed. The present breakwaters aggregate 15,272 ft., or 2.8 miles, and the area enclosed by them is a little less than 800 acres. The total length of berthing quays is 14,996 feet, which will be increased to 17,896 feet after the fourth pier is completed. At present steamers totalling 244,000 tons can be docked at one time, which will be increased to 337,000 tons with the completion of work this year. Just outside the breakwater, there is a pier 1,116 feet in length reserved for loading and unloading oil and other combustibles. One junk wharf for junk cargoes, having the capacity of 300,000 tons a year, is also provided. For steamers discharging or loading in the harbour, there are fifteen steel lighters. There are also two 50-ton and five 5-ton floating cranes, and one 45-ton, one 27-ton and three 5-ton locomotive cranes on the quays. A number of electric and steam cranes have been installed on the piers to handle heavy cargo. Coal-shipping facilities include cardumpers having the capacity of supplying 1,800 tons per hour, and belt-conveyors with the capacity of 900 tons per hour. Within the wharf compounds are 68 miles of railway to facilitate the shifting and handling of cargoes.

The Company's investment in harbour and wharf development at the port of Dairen up to March, 1930, aggregated 60,000,000 yen. If expenditure incurred on the piers constructed by the Company at Yingkou, Antung, Port Arthur, and Shanghai be added, the total investment amounts to over 78,000,000 yen.

The progress of the Wharfage Traffic at the port of Dairen may be gathered from the following table:

	Number of Steamers arriving	Tonnage of Goods		
		Imported	Exported	Total
		Tons	Tons	Tons
1907–8	1,143	599,188	320,764	919,952
1912–3	1,968	468,368	1,509,519	1,977,887
1917–8	2,072	892,041	2,429,145	3,321,186
1922–3	3,171	724,154	5,222,253	5,946,407
1927–8	4,224	1,076,141	7,299,912	8,376,053
1929–30	4,925	1,595,413	8,344,772	9,940,185

In addition, the Company conducts an extensive warehousing business at Dairen and the principal stations along the railway which will be treated in the following section. Receipts, including anchorage, wharfage, storage, and other expenditures, and profit in five-year intervals are shown in the following table:

Years	Receipts	Expenditures	Profit
	Yen	Yen	Yen
1907–8	572,493	560,151	12,342
1912–3	1,688,720	1,489,384	199,336
1917–8	3,499,934	3,106,862	393,072
1922–3	8,674,535	7,392,162	1,282,373
1927–8	10,275,943	9,305,782	970,161
1929–30	12,276,104	8,708,247	3,567,857

63 Kanseishi Coal Pier

In order to meet the steady increase in the output of Fushun Coal and to facilitate its quicker shipment, a separate coal pier with up-to-date mechanical loading devices has been constructed at Kanseishi (Kanchingtzu in Chinese pronunciation), across the bay from Dairen. The construction works — dredging the harbour, providing a breakwater of 980 metres, constructing a loading pier of steel 550 metres long equipped with four motor steel loaders, each having a loading capacity of 600 tons per hour, providing an extensive coal storage yard of 130,000 square metres and two bridge transporters with six pier cars and fully providing other necessary mechanical devices — began in September, 1926, and was completed by July 1, 1930, at a cost of 12,042,732 yen.

The total export cargo passing through the port of Dairen for the fiscal year 1927 was 7,200,000 tons, of which 3,500,000 tons or 48 per cent. represented coal and bunker supplies. Coal handling at Dairen harbour now being concentrated at the new Loading Pier at

Bridge Transporter in Coal Storage Yard

Car Dumper

Loading Coal into a Steamer by Special Coal Loader at the Pier

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Kanseishi not only facilitates much quicker loading of increasing shipments of coal, but removes the strain on the Dairen Wharves and storage capacity, which can now handle the yearly increasing volume of beans and other exports. The Kanseishi Pier has a loading capacity of 12,500 tons per day, or 3,800,000 tons annually, with room for extension that will increase the annual capacity to 5,000,000 tons, and can berth four steamers of from 5,000 to 10,000 tons at one time. All coal shipments from Fushun Colliery are switched off the main line at Nankuanling, 15.9 kilometres north of Dairen, to a new branch line 11.9 kilometres long, connecting with the pier at Kanseishi.

The Company also constructed in 1929 a coal wharf having the frontage of 1,280 feet at Newchwang, capable of handling 500,000 tons a year. The Port Arthur jetties have two new berths for coaling which increase the capacity of this port to 800,000 tons a year.

64 Warehousing

Warehousing facilities, originally in a very crude state, have been greatly developed since the Company assumed the management of this business in November, 1911. On the piers, and within the wharf compounds, Dairen harbour to-day has 75 warehouses with floor space aggregating 371,161 square metres. In addition, there are 98 warehouses with floor space aggregating 125,789 square metres at the leading stations along the railways.

In order to facilitate the shipment and marketing of soya beans, the Company inaugurated a so-called mixed storage system first at the Dairen wharves in 1913, which was later extended to Mukden, Tiehling, Kaiyuan, and other centres on the main line. By this system, beans are graded and classified at receiving points according to qualities and weight, and receipts, negotiable at the bank, are issued, which call for the delivery of like quantities and qualities at terminal points. The system was later introduced for the storage of beancake, bean oil, and wheat.

The cargoes handled at the warehouses now amount to over 11,600,000 tons a year, 60 per cent. of which are beans and bean products.

The table below shows the growth of the Warehousing business:

Years	Cargo remaining from previous year	Cargo Received	Total	Cargo taken out
	Tons	Tons	Tons	Tons
1911–2	7,507	718,777	726,284	568,312
1912–3	157,972	969,192	1,127,164	996,867
1917–8	331,418	3,332,967	3,664,385	3,157,080
1922–3	643,527	5,213,722	5,857,249	5,349,811
1927–8	612,362	5,276,268	5,888,630	5,318,241
1929–30	545,196	5,523,004	6,068,200	5,612,414

The Company inaugurated in 1911 a scheme of fire insurance on goods in storage under custody free of expense to shippers.

The following table shows the amount thus insured and premium paid by the Company during the last fourteen years:

Fiscal Years	Amount Insured	Premium paid by Company
	Yen	Yen
1917–8	32,543,240	114,116.20
1918–9	27,479,400	103,697.69
1919–20	36,253,100	237,319.51
1920–1	31,748,840	205,229.94
1921–2	34,785,390	194,895.05
1922–3	30,255,680	187,101.78
1923–4	25,461,640	136,100.51
1924–5	35,851,560	162,210.49
1925–6	29,433,490	116,640.27
1926–7	37,162,090	142,378.64
1927–8	35,830,254	113,140.52
1928–9	43,159,558	145,520.67
1929–30	37,204,044	138,325.21

65 Coal Mining

The most important undertaking of the Company, next to the railways, is coal mining, carried on at Fushun and Yentai. Capital investment in this industry amounted to 112,276,860 yen at the close of the fiscal year ending March 31, 1930. During this fiscal year the product of the mines with by-products, amounting to 7,991,786 tons was sold; the gross receipts were 84,364,665 yen and the expenses 72,089,548 yen, leaving 12,275,116 yen as net profit. The annual output of coal alone amounts to 7,032,100 tons, some 30,000 tons a day. In the year 1907, when the Company took over this undertaking, the daily output was only 300 tons.

The Company is fortunate in operating a rich coal-bed like that at Fushun, the largest open cut in the world. Fushun lies in the valley

of the Hun River, a little over thirty miles east of Mukden. It runs east and west about 10 miles parallel with the river and from north to south $2\frac{1}{2}$ miles, covering 23 square miles. The seam is interbedded in the tertiary stratum with a northerly dip of about 30 degrees and with an average thickness of 130 feet, the thickest part being 430 feet. The general thickness of coal seams in Germany, Great Britain, and the United States is said to be from two to forty feet. Whatever the facts, the deposit in Fushun is exceedingly large, being estimated at from 952,000,000 to 1,200,000,000 tons. Probably no similar deposit can be found anywhere in the world in such a relatively small area.

The district has a long history. Coal was first worked by Koreans some 600 years ago, and was used for the baking of earthenware. Three hundred years later, further digging was prohibited for the curious reason that it was near the mausoleum of a Manchu Emperor, built in the suburbs of Mukden. Prior to and during the Russo-Japanese war, the mines were operated by Russians on a small scale for their own needs, the daily output amounting to 300 tons. After the war, the Japanese military authorities carried on the mining until it was turned over in 1907 to the South Manchuria Railway Company, together with the Yentai and other minor fields. Then it entered on a new era of large-scale production on a scientific basis, equipped with modern machinery, mostly imported from the United States and Germany.

As a first step in the most advanced scientific and technical operation, Dr. Buichiro Matsuda, chief engineer of the Mitsubishi Mining Co., was invited by the Company to occupy the post of Superintendent-General of the Mine in January, 1907. Dr. Matsuda lost no time in applying what was known as the first stage of the programme for developing the mine. By this the Company improved three old pits and opened two new pits on a large scale; one of which was named the Oyama Pit and the other the Togo Pit. This programme was completed in 1912 at the cost of 9,200,000 yen, and the daily output was increased from 360 to 5,000 tons.

Pressed by the increasing demand, however, the Company, as the second stage in developing the Fushun mine, introduced the open-cut mining method at two places, besides opening three new pits. The new sand-flushing method was adopted, with an electrified sand-carrying railway, supplied with current from a Mond Gas power plant. As the result of this improvement, the average capacity of production increased to about 7,000 tons, or three million tons annually, in 1918. But the demand for coal continued to increase, due to industrial expansion in Manchuria and Korea, and also to the greater use of coal by the

natives in place of their former fuel, kaoliang stalks, which necessitated the import of coal into Manchuria to the extent of 150,000 tons in 1908, and 490,000 tons in 1909. To meet the ever-increasing demand from growing industries, particularly that of the Anshan Iron Works, the Company planned another expansion. This resulted in a so-called "Ten-Year Programme" drawn up in 1919 and modified in 1924 as the third stage of mining development, by which the excavation of a large shaft at Lunfeng, the open cut of the remaining seam extending from Kuchengtzu to the Yangpaipu rivulet, and the extension of the open cut of Chienchinchai so as to connect with that of Kuchengtzu, were to be worked. With the completion of this scheme, the annual output from Fushun Mines, excluding Yentai Mines, is expected to be over 8,000,000 tons in the fiscal year 1933.

The following table in English tons shows the quantity of coal produced and sold:

Years	Quantity of Coal transferred from previous year	Quantity of production	Quantity purchased	Total	Quantity sold
1907–8	18,712	233,325	—	233,325	202,320
1912–3	367,541	1,513,254	88,350	1,601,604	1,641,902
1917–8	134,192	2,389,584	364,191	2,753,775	2,718,270
1922–3	682,938	3,921,727	362,727	4,284,454	4,555,010
1927–8	466,672	6,982,870	573,858	7,556,728	7,429,624
1929–30.....	652,031	7,032,100	1,110,578	8,142,678	7,991,786

The table below shows the growth of the mining industry at intervals since 1907:

	Receipts					
Years	Sale of Coal	Sale of other Minerals	Other	Total	Expenditure	Profit
	Yen	Yen	Yen	Yen	Yen	Yen
1907–8 ...	1,318,676	—	215	1,318,891	765,886	553,005
1912–3 ...	9,156,631	—	37,122	9,193,753	7,347,091	1,846,662
1917–8 ...	20,030,480	294,042	43,941	20,368,463	15,047,917	5,320,546
1922–3 ...	51,665,247	202,724	1,271,952	53,139,923	46,424,196	6,715,727
1927–8 ...	80,509,052	273,110	2,005,257	82,787,419	73,039,119	9,748,300
1929–30...	81,379,322	558,662	2,426,681	84,364,665	72,089,548	12,275,116

It is of interest to note the disposal of the coal sold in the fiscal year 1929. Of 7,991,871 tons sold, Manchuria consumed 3,492,266 tons, of which 1,402,244 tons were for account of the S.M.R. itself, 65,141 tons used by employees, and 2,024,811 tons by other consumers. Exports amounted to 3,794,203 tons, of which Japan proper purchased 1,849,000 tons, Korea 404,000 tons, Formosa 10,000 tons, North China

The Open Cut at Fushun Colliery

The Oyama Pit at Fushun Colliery

Oil Shale Plant at Fushun

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166,000 tons, South China 1,101,000 tons, while 223,000 tons went to points in the South Seas. More than 705,000 tons were furnished to steamers for bunker coal.

66 Shale Oil Plant

At Fushun Mine, there are also huge reserves of oil shale immediately above the coal bed. The Fushun oil shale, running east and west for ten miles and north and south for one mile, being 450 feet deep in the thickest part, is estimated at as much as 5,300,000,000 tons. This shale contains an average of six per cent. oil, the upper part of the seam containing 10–12 per cent. and gradually being reduced to 1 or 3 per cent. at the lower level, besides 0.55 per cent. nitrogen.

The combustible capacity of the oil shale taken from the Oyama shaft being incidentally discovered in 1911, the shale was sent to the Central Laboratory, Dairen, for test, in the following year. But in those days the utilization of oil shale was regarded as commercially impossible even in Germany and elsewhere, Scotland only excepted. But the wonderful development of the airplane and automobile, and the extensive application of the Diesel engine to ships and to the industries utilizing oil during and after the European war, revolutionized the fuel question, and petroleum has become one of the fundamental bases of the industrial and military life of a nation. The consumption of this product in Japan is steadily increasing.

The annual consumption was about 350,000 tons in 1919; it was increased to 1,000,000 tons in 1928, of which more than two-thirds were imported. Thus Japan herself is vitally interested in the problem of supply.

Meanwhile, the South Manchuria Railway Company was most seriously studying its industrial workability by utilizing oil shale at Fushun. In order to ascertain whether the shale is really suited for industrial operation, several hundred tons of Fushun shale were sent in 1920–2 to the Fuel Research Station of the Japanese Navy, to Sweden, and to Scotland for test. Subsequently, several experts in the Company's service were despatched abroad to investigate fully existing enterprises, in addition to the scientific side of the question. In 1925, a so-called semi-industrial plant was set up, and a process for extracting oil by dry distillation was successfully worked out.

Based on this process, the former President, Mr. Yamamoto, finally decided to establish a shale oil plant at Fushun to manufacture about

70,000 tons of fuel oil and by-products: 18,000 tons of ammonium sulphate, 15,000 tons of crude paraffin, and 5,000 tons of coke. Oil production is to be gradually increased. Construction work for the shale oil plant was commenced in April, 1928, and completed by November, 1929, at a cost of 9,000,000 yen. The crude paraffin is shipped to Tokuyama, Japan, where the Japan Paraffin Refining Company (incorporated in February, 1929, with the paid-up capital of 2,000,000 yen) is expected to convert the raw material into 6,300 tons of refined paraffin and 7,500 tons of fuel oil per year.

67 Iron Works

The South Manchuria Railway Company early contemplated working the iron ore found in great quantities at Anshan. The presence of iron deposits here was discovered in 1909 by officials of the Geological Institute of the Company. By an agreement signed in 1914 with China, a concession to work this iron mine was given to the Chenhsing Kungssu, a Sino-Japanese company. It was also arranged that the ore produced at the mines owned and operated by this concern should be supplied to the South Manchuria Railway Company.

The original plan was to erect a plant large enough to produce 1,000,000 tons of pig-iron a year, or 800,000 tons of steel. Two blast furnaces were to be erected as the first stage of the original plan. Construction of the first furnace was set about in May, 1917, and completed in December, 1918. Pig-iron was first produced in May, 1919. When the construction of the second furnace was about completed at the beginning of 1920, the price of pig-iron fell from 440 yen a ton in war-time to 50 yen, owing to the world-wide depression after the war.

With a view to adjusting the enterprise to the new conditions, the second furnace was not put in service, and further construction of the

third and fourth furnaces planned as the second stage in the original scheme was stopped. Yet Japan was pressed by the necessity of this product to meet her ever-developing industry, and the South Manchuria Railway Company, therefore, continued to develop this undertaking, although it involved heavy financial loss. With a view to utilizing ore of low percentage and at the same time readjusting and improving the plant, in order to cover expenses, an investigation board was organized in January, 1920. A group of American scientists and practical engineers, headed by Professor Appleby, of the University of Minnesota, were invited in June, 1921, to Anshan, where they spent more than forty days, and made a thorough investigation into the nature of the ore and its possibilities. Meanwhile, more advanced processes, the so-called hematite reducing system and magnetic concentration system, by which the percentage of iron can be increased to 55 on an average, were invented by one of the Japanese experts attached to the plant. In September, the original plant was modified as follows:

(1) Annual output should be to the extent of 200,000 tons by using two blast furnaces; (2) a large concentration plant should be built; (3) plants manufacturing by-products, ammonium sulphate, benzol, naphthaline, etc. should be augmented. This readjustment was to be carried out within two years from 1924 at an additional expenditure of 11,000,000 yen. The total capital invested from the fiscal year 1919 to 1926, amounting to 45,900,000 yen, has been spent on this iron works, which contain two blast furnaces, a concentration plant, four coke ovens, each with a daily capacity of 700 tons; by-products plants, gas works, electric plant, etc. There are thirty-five miles of railway connecting the mines with the works. Discouraging conditions, however, existed. The loss incurred in the fiscal year 1926 amounted to 3,800,000 yen, production being 162,455 tons of pig-iron.

Mr. Yamamoto, who had assumed the presidency of the Company and acted during 1927–29, adopted an optimistic policy on the industrial basis that the annual production should be augmented, while minimizing expenditure as far as possible by cutting the price of coal supplied by the Company and reducing wages. On the other hand, the capital stock was reduced from 45,000,000 yen to 20,700,000 yen. It was also decided to construct a larger up-to-date blast furnace capable of producing 500 tons per day, for which Mr. P. F. Kohlhaas, an American engineer, who had had much experience in America, and with the Tata Iron Works (India), was engaged as consulting engineer. Construction of the new blast furnace was completed on March 9, 1930, at a cost of 4,300,000 yen. The output of pig-iron for the fiscal year 1927 increased to 203,454

tons, and the loss account was reduced to 157,542 yen. In the following year, a profit was earned amounting to 1,200,000 yen, production being 224,461 tons. But owing to the ever-falling price of iron, the profit for the year 1929 fell off to 540,000 yen. In 1930, the output was increased by the operation of the new furnace, but profits were further reduced. Moreover, the industry was handicapped by the export duty levied by the Chinese Government, as most of the product was exported to Japan.

The following table reveals the general condition of the Iron Works at Anshan:

Year	Annual Production	Income	Expenditure	Loss or Profit
	Tons	Yen	Yen	Yen
1919–20	31,620	2,796,224	4,283,392	−1,487,168
1920–1	75,273	1,580,655	8,003,233	−6,422,577
1921–2	57,184	3,606,999	6,430,725	−2,873,726
1922–3	66,543	3,386,935	6,585,278	−3,198,343
1923–4	72,311	3,703,690	5,944,588	−2,240,897
1924–5	94,501	4,430,753	7,886,361	−2,955,607
1925–6	88,263	3,986,931	7,706,920	−3,719,989
1926–7	162,455	6,896,504	10,703,098	−3,806,594
1927–8	203,454	9,223,114	9,380,656	− 157,542
1928–9	224,461	9,740,521	8,524,910	+1,215,611
1929–30	210,443	8,939,706	8,397,103	+ 542,603

68 Public Services in the Railway Zone

The Government-General of the Kwantung Leased Territory was established in 1906, and its police administration and communications undertakings, such as post, telegraph, and telephone, were extended to the Railway Zone. But the residue of the administration in the Railway Zone was entrusted to the South Manchuria Railway Company. Thus the Company assumed the responsibility of providing the Zone with educational and sanitary undertakings, town construction and other public works, besides various undertakings for industrial and agricultural encouragement. In these public services, the Company has during the last twenty-three years invested more than 172,500,000 yen, of which 131,000,000 yen were for city and town construction; 14,000,000 yen for hospitals; 13,600,000 yen for schools and libraries; 8,100,000 yen for houses and land for lease; 5,000,000 yen for the Central Laboratory, model farms, and experimental stations for agriculture, live stock, and afforestation.

For these public services in education, sanitation, public works, and the encouragement of agriculture and industry, the Company collects

house rent and fees from hospitals, schools, and other sources. Any deficit is defrayed by the Company, and such deficit to-day amounts to more than 13,598,000 yen a year.

The following table shows the growth of expenditure on public services in the Railway Zone:

Year	Fees, Rent, etc.	Expenditures	Deficit defrayed by Company
1907–8	120,794	251,006	130,212
1912–3	633,211	1,401,012	767,800
1917–8	1,930,284	3,538,709	1,267,560
1922–3	3,995,249	10,831,659	6,836,410
1927–8	6,098,234	19,104,444	13,006,210
1928–9	6,230,083	19,425,207	13,195,124
1929–30	4,689,833	18,288,336	13,598,503

69 Educational and Hygienic Work

Of the expenditure for the fiscal year ending March, 1930, amounting to 18,288,000 yen, about 2,632,000 yen were alloted to educational expenses and 2,151,000 yen for hospital and other hygienic purposes. The educational and hygienic work undertaken by the South Manchuria Railway Company will be more fully dealt with later in the chapters on Education and Sanitation.

70 Town Construction

As already stated, the Company is entrusted with the management of the Railway Zone, including the towns therein.

In order to promote the prosperity and well-being of the Railway Zone, the Company took a serious step in creating modern towns or improving old towns along the railway to the extent of making them habitable and comfortable. During the Russian *régime*, Newchwang and Dairen were the only places opened to trade and residence. Besides the stations along the railway, the Russians had established small settlements at Port Arthur, Liaoyang, Wafangtien, Tashihchiao, and Kungchuling, but these chiefly consisted of residences for the railway employees and barracks for soldiers, and were by no means commercial settlements. After the management of the Railway Zone had been taken over from the Japanese Army, the Company planned to build modern cities or towns at Mukden, Liaoyang, Changchun, Antung, and other places. In the beginning it followed the Russian plan, consisting of central circles whence streets radiate like a spider-web, but ultimately the rectangular block system was adopted. These modern towns had

not only to be provided with wide and well-paved streets, parks, market quarters, cemeteries, and other necessities, but lighting and electric power were necessary. Thus electric plants and gas works have been established in Dairen, Mukden, Changchun, Antung, and other places, and the Company has also given aid in the establishment of electric plants and tram systems by private enterprise.

To waterworks and sewage systems the Company has paid special attention with a view to the perfection which is a necessity of the modern town in the Railway Zone. The waterworks originally built by the Russians at Port Arthur were enlarged and improved by the Kwantung Government, including that in Dairen. Modern waterworks have been constructed at Mukden, Liaoyang, Antung, Changchun, and other leading towns, while in smaller towns modern wells have been sunk to meet the needs of the inhabitants.

The town planning undertaken by the Company has involved heavy expenditure, the cost to the Company being over 131,000,000 yen. If investments in electric plants, gas works, and others which have been separated and handed over to independent concerns be included, the total investment in connection with the building of modern towns by the South Manchuria Railway Company amounts to more than 200,000,000 yen.

71 Local Management

In 1907, when the Company took over the charge of the Railway Zone administration, there were settlement councils at several centres along the Railway. The Company caused them to act as its agents, but discontinued their services in October of the same year. The Company established instead district agencies at Liaoyang, Mukden, Changchun, and four other places for the purposes of local administration. These district agencies were gradually increased, and are maintained to-day at thirteen railway towns, including Antung, Newchwang, Tashihchiao, Kaiyuan, and Ssupingkai. At Fushun, the General Office of the Collieries undertakes similar local administration. Where there is no district agency or sub-agency, the station-master supervises part of the business of a district agency. Each district agency has a Local Committee, the members of which are elected by the tax-payers in the district, and in the fixing of the annual budget of the district the Local Committee is consulted. The idea is to cultivate the spirit of self-government among the residents, disregarding nationality — Chinese, Japanese, or European.

For the maintenance of the local administration, each local authority is empowered by the Government to collect taxes, fees, licenses, etc., and to make other necessary assessments upon the residents within the Zone, subject to Government sanction, in order to cover its outlays. Any deficit is borne by the Company, and such deficit today amounts in the aggregate to more than 3,335,000 yen per year.

72 Experimental Laboratories, Model Farms, Research Work

With a view to improving and encouraging agriculture and industries suitable to the conditions of Manchuria and Eastern Inner Mongolia, the Company has established a number of experimental laboratories and model farms in Dairen, and at places in the Railway Zone. Other scientific institutions conducting research work on economic questions or in connection with the historical survey of Manchuria, Mongolia, and the Far East in general, are also established.

73 Central Laboratory

The Central Laboratory was originally established in 1908 by the Kwantung Government in Dairen, as an institution to conduct experiments and analytical tests in agriculture, industry, and hygiene. The necessity being felt of founding basic plans for developing the natural resources in Manchuria more by scientific research and practical experiment, this institution was transferred to the South Manchuria Railway Company in 1910 and enlarged. The scope of its activities was divided into eight divisions, namely, analytical chemistry, applied chemistry, textiles and dyeing, pottery, fermentation, sanitary chemistry, electrical chemistry, and clerical work. In addition, the Laboratory renders service to the public at large by conducting on request general analyses, tests, and estimates with the object of contributing to the industrial and hygienic progress in South Manchuria.

Any new idea giving good promise of commercial utilization as the result of these investigations, may be further tested in an experimental workshop or industrial plant, and when the commercial production stage is reached, turned over to a company to operate as a going concern. During past years, a tussah filature, pottery plant, experimental glass factory, brick kiln, sorghum alcohol distillery, dyeing and weaving mill, bean-oil mill, fatty-acid mill, experimental lignoid factory, etc., have been founded. Of these experimental workshops, the bean-

oil mill, fatty-acid factory, pottery plant, experimental glass factory, brick kiln, and others were later handed over to independent management or to private corporations.

In June, 1920, the eight divisions of the Laboratory were reorganized and converted into two greater divisions, of Experimentation and Research. The former division chiefly deals with all analyses, experimentation, testing, and estimates, while the latter attends to matters concerning physical and chemical investigation and research. All hygienic chemistry hitherto conducted by this Laboratory was transferred in 1927 to the Hygienic Institute which was newly established. These two greater divisions of the institution were reorganized again into five divisions — agricultural chemistry, live-stock chemistry, mineral products chemistry, oil chemistry and soil chemistry. The activity of this Laboratory is directed more toward experimental and research work in regard to the industrialization of products peculiar to Manchuria, such as beans, kaoliang, salt, coal and other minerals.

It should be mentioned that the Laboratory has secured since its foundation more than ten patent rights on important manufacturing processes newly discovered, and many applications for patents are pending.

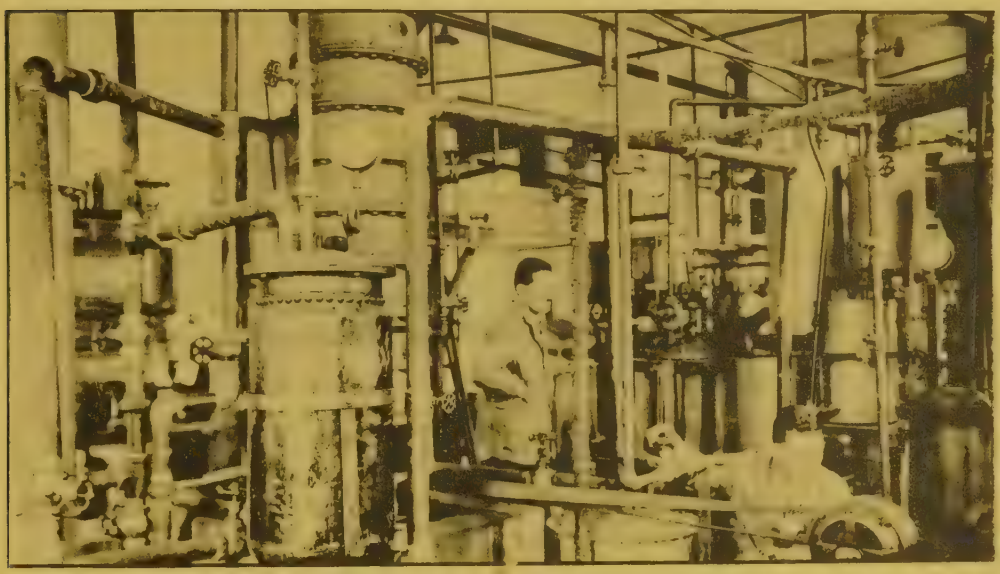
The table below shows the number of tests, analyses, or estimates made on request up to 1928:

Year	No. of applications by various Departments of S. M. R.	No. of applications by Kwantung Government	No. of applications by General Public	Total
1921	4,735	1,455	2,419	8,609
1922	4,209	714	2,608	7,531
1923	5,233	523	1,705	7,461
1924	6,741	2,515	1,919	11,175
1925	4,675	1,526	1,941	8,142
1926	5,077	1,081	1,906	8,064
1927	2,077	38	1,052	3,167
1928	3,287	51	951	4,289

74 Geological Institute

This was first established at Fushun in order to develop the coal mines. In October, 1907, the Institute was removed to Dairen, and devoted to geological work and the survey of the mineral resources of Manchuria. One of its important achievements was the discovery of the iron deposits of Anshan, besides the discovery of magnesium ore in the Kaiping and Haichieng districts. A most comprehensive map

Central Laboratory



Semi-industry Experiments

Semi-industry Experiments

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and a pictorial table of the mineral products of Manchuria are in preparation.

75 Model Farms

The Company has, besides two Agricultural Experimental Farms, respectively at Kungchuling and Hsiungyaocheng, established 22 nursery beds and three cattle-feeding stations at different places along the Railway. The fundamental idea is to encourage the native farmers to abandon their primitive methods by distributing improved fertilizers and better seeds or seedlings. Further details will be given in the chapter on Agriculture, which deals with the general condition of agriculture in Manchuria.

76 Eastern Asia Economic Research Bureau

The South Manchuria Railway, being one of the largest concerns in the Far East, whose interests are indissolubly connected with the commercial and industrial situation of the East and West, the first President, Baron Goto, considered it a necessary service to create an economic intelligence institution, such as the intelligence offices or archives bureaux of large French and German banks. In September, 1908, the Eastern Asia Economic Research Bureau based on Baron Goto's scheme was established in the Tokyo Branch Office of the Company. Its main work was to collect and distribute all available information covering the subject of economic activities of the leading countries of Europe and America, which would be of interest to the trade, industry, railway and shipping communications of Eastern Asia. The management of this bureau was placed in the hands of one of the directors of the Company, Dr. Santaro Okamatsu, formerly a professor of Kyoto Imperial University; and Dr. Thiess, professor of national economy at the Technical University of Dantzig, Germany, who formerly had charge of a similar institution of the Hamburg-America line, was appointed counsellor for the organization of this Bureau. It was hoped that the work of the Bureau would contribute to the better understanding and co-operation among nations by exchanging all useful information on economic data, domestic and foreign.

During past years, the Bureau has published more than three hundred reports, and has rendered valuable service, particularly prior to the European war, when similar work was not seriously undertaken by other institutions in Japan. During and after the war, banks, steam-

ship companies and industrial corporations in Japan instituted research bureaux. These research offices and the Eastern Asia Economic Research Bureau, co-operating with the Government research office, in 1920 organized a National Research Association with headquarters in Tokyo.

In July, 1929, the Eastern Asia Economic Research Bureau was separated from the Company and became an independent legal person with a fund of 1,000,000 yen advanced by the Company. The institution continues research work on economic questions generally in East Asia, with special reference to Manchuria and Mongolia, and to-day publishes several periodicals and booklets. A library containing more than 100,000 books and periodicals is provided and opened to the public under certain conditions.

77 Research Work in Main Office

The business functions of the South Manchuria Railway Company are so extensive that they relate directly or indirectly to all economic and social conditions in Manchuria and Mongolia. The necessity of investigation into the history of these great regions, their agricultural and industrial features and other economic questions being keenly felt, a research office was created in the main office of the Company at Dairen in March, 1907. Its objects are to collect materials for the Company's own use and to prepare information for the general public. In the last twenty-three years more than 450 volumes — books, pamphlets, booklets, periodicals, etc. have been published. An Encyclopaedia of Manchuria and Mongolia in six volumes, Report on Customs and Usages of Manchuria in nine volumes, Monthly Reports on Research, Trade Returns of North China, and a Detailed Trade Return of Manchuria, are among the important works prepared by the Research Office of the South Manchuria Railway Company.

78 Affiliated Undertakings

Electric plants, gas works, marine transportation, docking, street-car service, and the hotel business, were in their beginning undertaken directly by the Company as activities subsidiary to its main business. When they had made certain development so that they could independently carry on, the Company took steps gradually to make them independent concerns. Besides these undertakings, the Company is concerned directly or indirectly with industrial and commercial corporations by supplying the whole or part of the capital, in order to

encourage industrial, commercial and agricultural development in Manchuria. The total investment in these affiliated undertakings, amounts to some 83,000,000 yen; in addition more than 4,000,000 yen has been invested in other associated concerns.

79 Electric Plants

The Company originally maintained electric light and power plants at Dairen, Mukden, Antung, and Changchun, while the Fushun and Anshan plants were worked on account of the Fushun Colliery and Anshan Iron Works respectively. Electric tramways were also operated at Dairen and Fushun. These several plants, except those of Fushun and Anshan, were amalgamated in May, 1926, into one corporation, called the South Manchuria Electric Company. The capital was 25,000,000 yen, of which 22,000,000 yen was paid up. The growth of power supply of electrical undertakings in Dairen (including Port Arthur), Mukden, Antung, and Changchun is shown in the following table:

	Dairen	Mukden	Changchun	Antung	Total
	K.W.H.	K.W.H.	K.W.H.	K.W.H.	K.W.H.
1910–1 ...	6,019,875	509,328	729,107	97,287	7,355,597
1917–8 ...	14,702,590	1,418,052	3,838,650	1,763,142	21,722,434
1927–8 ...	60,340,185	17,156,175	8,164,537	22,436,704	108,097,601
1928–9 ...	68,748,874	18,382,161	12,299,764	22,356,324	121,787,123
1929–30...	84,098,492	20,934,502	11,438,507	25,747,412	142,218,913

An eight per cent. dividend was declared on the paid-up capital of the South Manchuria Electric Company for the working year ending March, 1930.

80 Gas Works

The South Manchuria Railway Company, in order to meet the demand for lighting, heating and industrial purposes, first built gas plants at Dairen in 1910. In 1920, the Anshan Iron Works commenced supplying the surplus gas to Anshan Municipality. Plants were built in Mukden in 1923, Antung in 1924, and Changchun in the same year. The management of these four plants, Anshan plant excepted, was separated in July, 1925, from the South Manchuria Railway Company, the enterprises being amalgamated with the South Manchuria Gas Company, with a capital of 10,000,000 yen, of which 9,300,000 yen was paid up.

Some fourteen years ago the total amount of gas produced during the working year (1917) was 128,945,400 cubic feet, the by-products being 7,671 tons of coke and 169,824 gallons of tar. The total amount

of gas had increased to 478,180,000 cubic feet, coke to 15,482 tons, and tar to 1,506,000 gallons, according to the return for the working year 1929. Ammonium sulphate amounting to 144 tons was produced in this year.

81 Dairen Steamship Company

The South Manchuria Railway Company at the outset felt it a duty to participate in the international railway service between the Far East and Europe. This induced the Company to institute a regular steamship service between Dairen and Shanghai, which was undertaken in August, 1908, by chartering three steamers from the Nippon Yusen Kaisha, thus establishing the shortest route between Europe and Shanghai. In December, 1914, Tsingtao was included in this service as a port of call. Meanwhile the Company built more advanced turbine steamers, which replaced the chartered steamers. In 1915, the Dairen Steamship Company was organized, steamers engaged in coastal trade in North China being purchased, and the operation of the Dairen-Shanghai line was handed over to this company in February, 1918. Six navigation lines are now maintained by the Company. They are the Dairen-Tientsin line, Dairen-Tsingtao-Shanghai line, Dairen-Tientsin-Antung line, Dairen-Hongkong line, Dairen-Lungkou (near Chefoo) line and Newchwang-Dairen-Kobe line.

The Dairen Steamship Company to-day owns 39 steamers with aggregate tonnage of 120,245 tons, and charters 20 steamers with aggregate tonnage 71,602 tons. Its authorized capital is 25,000,000 yen, of which 13,750,000 yen is paid up.

82 Manchuria Dock Company

The first dockyard in Dairen was built by the Russians. It was handed over to the South Manchuria Railway Company in 1907 by the Imperial Japanese Navy. Its management was entrusted to the Kawasaki Dockyard Company, of Japan, in July, 1908, and subsequently steps were taken to increase the docking capacity from a 3,000-ton steamer at most to a 6,000-ton steamer with ease. This enterprise was separated from the account of the South Manchuria Railway Company in March, 1923, and incorporated as an independent concern under the name of the Manchuria Dock Company, with a capital of 2,000,000 yen, of which 1,000,000 yen was paid up. The capital was reduced to 1,400,000 yen in September, 1929, in the interest of economy.

83 Hotels

The South Manchuria Railway Company from the very beginning having charge of part of the international traffic route, engaged in the hotel business rather for the public service than for profit-making. In fact, the expenses of this undertaking each year have exceeded receipts, except in the year 1919.

The Yamato Hotel at Dairen was opened in August, 1907, but the popularity of the new route between Asia and Europe soon proved the original building to be too small to meet the ever-increasing demand. A new building was therefore planned, and the present elegant structure of the Dairen Yamato Hotel, fireproof, and in modern Renaissance style, with all necessary equipments and comforts, was completed in June, 1914, and was opened on the 1st August. The Yamato Hotels at Port Arthur and Changchun were opened in 1908. The Yamato Hotel in Mukden, which forms part of the railway station, was opened in October, 1910. This station hotel being unable to meet the requirements of increasing travel, the building of a new hotel, of modern Renaissance type, steel-concrete construction, was begun in 1928, and completed in May, 1929 at a cost of 1,800,000 yen, exclusive of 250,000 yen for furnishing.

In connection with the subject of hotel accommodation, it is of interest to mention the summer resorts and hot springs in South Manchuria.

Within a few miles of Dairen is one of the most attractive summer resorts of the Orient — that of Hoshigaura, or Star Beach, which is connected with the city by a fine five-mile motor road. Hoshigaura is becoming increasingly popular among South China residents of all nationalities for the summer vacation, and here, in addition to a summer hotel, the South Manchuria Hotel Co. maintains a number of bungalows overlooking the beach, which each year are occupied by families from Shanghai, Harbin, and other distant cities.

Foreign visitors generally have a good word for Star Beach, the merits of which are not known as widely as they should be. This, at least, is the view of a distinguished diplomatic visitor from Peking who believes that if the resort were more widely known, it would attract European visitors even from India and the South Seas. There is no lack of opportunity for golf, tennis, boating, and other sports, while a motor road to Port Arthur, thirty miles in length, built by the Kwantung Government, makes motoring a pleasure.

There are, further, several points on the coast between Dairen

and Port Arthur where the beach is sandy and the waters in summer clean and cool, so that in the coming years the coast will develop as a residential quarter, the businessman never being far from the city.

In addition to the seaside resorts, South Manchuria has its hot-springs. Three are well known, the principal being that at Tangkangtzu, on the main line, 182 miles north of Dairen and 64 miles south of Mukden; the others are at Hsiungyaocheng, 111 miles north of Dairen, and at Wulungpei, on the Antung-Mukden line, 15 miles from Antung. All are simple thermal springs, i.e., those issuing from the earth at a higher temperature than 98° F., generally beneficial in cases of rheumatism and nervous troubles.

Newly-established Yamato Hotel at Mukden

Yamato Hotel at Dairen

Yamato Hotel at Hoshigaura (Star Beach)

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VI TRADE

84 General Remarks

The overseas trade of Manchuria continued its record of progress in 1928 and 1929, but 1930, though the figures are not yet accessible, will show a falling-off owing to the world-wide depression, while the ever-falling price of silver has specially affected Manchurian trade.

The last Report stated that "the Russo-Japanese war, which marked a new epoch in the history of Manchuria, politically and economically, introduced a most radical change in the tradal situation, especially after the opening of Dairen Port." Prior to the Russo-Japanese war, Newchwang was the only port in Manchuria opened to trade with other countries. Newchwang and Tientsin were opened at the same time as early as 1861, and each had a great hinterland of which it was the outlet, but while the trade of Tientsin markedly increased, maintaining a position next to Shanghai, the increase of the trade in Newchwang was slow, the percentage of this port's trade to China's total trade being less than 10% for many years. The position of Newchwang, indeed, handicapped its trade. The port is situated several miles up the Liao River, where the fairway is too narrow to admit of navigation by large steamers, and, what is worse, it is ice-bound during four months in the year. Furthermore, the hinterland of Newchwang, Manchuria, was not thickly populated like Chihli Province, with the national capital, Peking, within a few miles, and the purchasing power of Manchuria was consequently much lower. After the Russo-Japanese war, Newchwang ceased to remain the sole open port of Manchuria, and the opening of Dairen to foreign trade brought about a stupendous growth of trade in Manchuria.

The harbour of Dairen, much favoured by nature, naturally deep, well sheltered, and free from ice all the year round, was further improved at a heavy expenditure; and, as the most important gateway of the South Manchuria Railway, the main line of which traverses the heart of South Manchuria, the port has come to play the most significant part in the trade of Manchuria as a whole.

By the agreement with Japan, signed on May 30, 1907, China established an office of the Imperial Maritime Customs at Dairen, and levied Customs duty on all merchandise passing the frontiers of the Leased Territory into the interior of Manchuria.

In 1908, one year after the opening of Dairen, the total trade of

Manchuria increased to 100,707,000 Tls., i. e., 12 per cent. of the total trade of China; the proportion increased to 17% in 1913, 19% in 1920, and 21% in 1929.

The total trade of China aggregating about 2,900,000,000 Tls. (including domestic trade) in 1929, Manchuria's trade amounted to 775,000,000 Tls. of which 508,000,000 Tls. was the share of Dairen. In most years Dairen's share amounted to more than 55% of Manchuria's total trade. Nothing is more remarkable in the history of Manchuria than the development of this port in the short period of twenty-three years, a growth entirely due to the activities encouraged by the comparative peace which has reigned in Manchuria in contrast to the conditions that have prevailed in the great centres of commerce and industry further south.

The supremacy in foreign trade of Dairen, however, did not affect adversely the position of Newchwang, where trade has increased as a whole. Nor has the trade ascendency of Dairen affected Vladivostok, the terminal of the Chinese Eastern Railway, where the transit of agricultural produce of North Manchuria passing through Harbin and Suifenho (Pogranitchinaya) has steadly increased in recent years. The opening of the younger port simply enlarged the opportunities for trade, of which so keen a commercial people as the Chinese took every advantage.

The growth of the foreign trade of Manchuria, including trade with China proper, during the past twenty-three years, is set forth in the table attached, calculated in Haikwan Taels:

	Imports	Exports	Total	Balance
1907	30,685,152	22,042,323	52,727,475	— 8,642,829
1908	53,112,034	47,585,123	100,697,157	— 5,526,911
1909	69,159,331	83,026,018	152,185,349	+ 13,866,687
1910	81,731,940	88,999,422	170,731,362	+ 7,267,482
1911	94,797,846	103,733,492	198,531,338	+ 8,935,646
1912	102,232,018	100,166,041	202,398,059	— 2,065,977
1913	125,683,660	113,041,999	238,725,659	— 12,641,661
1914	112,409,981	109,331,936	221,471,917	— 3,078,045
1915	108,111,646	130,084,502	238,196,148	+ 21,972,856
1916	129,555,872	130,807,129	260,363,001	+ 1,251,257
1917	158,562,010	161,120,501	319,682,511	+ 2,558,491
1918	177,219,156	166,856,166	344,075,322	— 10,362,990
1919	231,303,593	212,008,762	443,312,355	— 19,294,831
1920	205,129,451	225,926,429	431,055,880	+ 20,796,978
1921	218,187,674	234,407,892	452,595,566	+ 16,220,218
1922	196,432,072	274,661,906	471,093,978	+ 78,229,834
1923	207,055,228	293,928,940	500,984,168	+ 86,873,712

1924	200,648,460	269,018,082	469,666,552	+ 68,369,612
1925	244,721,505	312,368,194	557,089,699	+ 67,646,689
1926	276,840,619	370,742,398	647,583,017	+ 93,901,779
1927	268,913,586	408,036,179	676,949,765	+139,122,593
1928	302,955,904	434,035,424	736,991,328	+131,079,520
1929	329,603,869	425,651,491	755,225,360	+ 96,047,622

In the above table, it will be seen that the most encouraging aspect of Manchuria's trade is the excess of exports over imports, quite contrary to the trade in China proper, Japan, and Korea, where imports invariably exceed exports. Manchuria has experienced an excess of imports only in those years marked by heavy purchases from abroad — rails, rolling stock, and machinery from America and Europe, mostly by the South Manchuria Railway Company.

85 Trade According to Countries

When Newchwang was the sole open port in Manchuria, its staple trade was the export of Manchurian beans and beancake to the southern provinces of China, where the beancake was extensively used as fertilizer for the sugar plantations. Beans were consumed in southern mills for oil extraction, the product being used as a substitute for groundnut oil. The imports at this port were cotton goods of low grade — sheeting and drills — chiefly from England. Later on, American cheap sheeting and drills entered in competition. The trade with Japan was insignificant until after the Sino-Japanese war of 1894–5. As previously stated, Japan gradually became a heavy purchaser of the Manchurian beans and beancake, and her purchases in 1898 equalled those of all the Chinese provinces. In 1903, the year before the Russo-Japanese war, Japanese purchases exceeded those of China proper, and Japan became the largest buyer of Manchurian products.

At Newchwang, the Yokohama Specie Bank established a branch as early as 1900, in order to facilitate the development of Japanese trade. In spite of the rapid increase of exports to Japan, imports from Japan increased very slowly. In cotton goods, which have always constituted the largest item of Manchurian imports, Japan's share was almost negligible, amounting in value to 8,205 Tls., out of 2,041,807 Tls., which was the total amount of the cotton-goods trade of 1899. America's share of this represented 1,716,272 Tls., and the British share 250,031 Tls., exclusive of Indian cotton. But early in 1903, just before the Russo-Japanese war, British cottons worked their way up until they held the leadership in shirtings; while in sheetings, drills, and jeans

America held first place. In those days the Japanese infant cotton industry was not in a position to compete with either the British, American, or the Indian mills. England then held the leading place in shirtings, America in sheetings, drills, and jeans, and India in yarns.

Japan's strenuous but constant efforts to develop this industry, especially after the Russo-Japanese war, were gradually crowned with success. The Chinese Customs Commissioner at Newchwang in his report for 1910, stated that "there has been a big drop in cotton goods of American and English origin, and increased arrivals of Japanese manufactures. American shirtings, sheetings, and drills decreased from 1,057,122 pieces in 1909 to 633,313 pieces; the same goods of English manufacture decreased from 150,462 to 99,062 pieces; while those of Japanese make increased from 297,660 to 408,554 pieces. American jeans fell from 86,301 to 3,440 pieces, but English jeans rose from 240,157 to 293,033 pieces. As to cotton goods imported through Dairen to the same, the Japanese manufactures amounted to more than 30 times as much as those imported from America, England and India put together."

These developments invited the most vigorous attacks on Japan, foreign critics alleging discriminating railway rates in favour of Japanese manufactures by the South Manchuria Railway Company. It is fair to admit that some discrimination against other than Japanese goods might have been made during the time the railway was operated under the military administration. But since the Kwantung Government confined its administration to the Leased Territory, and since the South Manchuria Railway Company took charge of railways, there has been no actual evidence of discrimination. On the other hand, the Japanese cotton industry had reached the stage where it could successfully compete with American and European manufactures. Furthermore, Japanese industry could produce a much cheaper staple by mixing raw materials of American higher grade and those of Indian and Chinese lower grades, and Japanese products could be landed in the Manchurian market at much cheaper cost. The natural advantages of the Japanese cotton industry, particularly in the Chinese market, could not be offset by the American, English, or even the Indian mills.

Before the outbreak of the European war, the Japanese cotton industry so successfully competed with its rivals, that almost all cotton goods, except the finest kind, were supplied by Japan. The war in Europe, crippling the cotton mills in Western countries and also ocean transportation, gave Japan the indisputable supremacy in this Far Eastern market. But it should be remembered that the more the

importation of Japanese cotton goods in Manchuria, the greater the purchase of American and Indian raw cotton by Japan. China has also become a great manufacturer. Cotton goods, excluding cotton yarn, manufactured in China proper, have gradually increased, and to-day are valued at about 22,000,000 Tls., against 41,000,000 Tls. of Japanese imports for 1929. Cotton goods valued at 1,700,000 Tls. were also imported into North Manchuria, chiefly from the Russian sphere, in the same year. The imports of these goods from the Russian sphere in the previous year were valued at 2,800,000 yen. The falling-off of this trade for 1929 was due to the Sino-Soviet dispute over the Chinese Eastern Railway.

It is worthy of note that the decrease of imports of English and American cotton goods did not affect the gross value of British and American trade in Manchuria. Trade was mostly on the increase in other lines. Imports of machinery and other iron manufactures from America and Europe were steadily maintained, particularly when the South Manchuria Railway Company commenced its varied undertakings in railway, harbour, coal-mine and iron-works developments, involving heavy investments in rails, rolling stock, and machinery. It is a matter of interest that the value of material purchased by this Company during the twenty-two years ending March 31, 1929, aggregated over 501,852,-000 yen, of which goods to the value 129,094,000 yen were imported direct from the United States, 28,400,000 yen from Great Britain, 13,384,000 yen from Germany, 193,337,000 yen from Japan and 43,000,-000 yen from other countries, including China, France and Belgium, as shown in the following table:

Source of Supply	Value of Imports Yen	Percentage to Total
Great Britain	28,403,085.21	5.66
America	129,094,091.56	25.72
Germany	13,384,962.19	2.67
Manchuria	86,298,485.61	17.20
Japan	193,377,978.20	38.53
Other Foreign Origin furnished to S. M. R. by Japanese traders	8,052,618.43	1.60
Others	43,241,441.25	8.62
Total	501,852,662.45	100

The total imports of American and European products are actually greater than the Customs returns, because machinery and railway materials, other steel manufactures, oil, woolen and other goods of American or European origin shipped to Kobe and Shanghai and re-shipped to Manchuria, would not be recorded in the Customs returns.

The United States Consular authority at Dairen estimated that such indirect imports of American origin into Manchuria for 1928 were

valued at 3,000,000 American dollars. The total trade of Manchuria for 1908 was figured at 100,697,157 Tls.; for 1929 the return increased to 755,255,366 Tls. The growth during the last twenty-two years according to country is shown in the following table:

Countries \ Years	1908			1929		
	Imports	Exports	Total	Imports	Exports	Total
Great Britain	534,684	355,950	890,634	9,670,833	21,637,853	31,308,686
Hongkong	2,037,838	846,123	2,883,961	13,734,163	6,442,997	20,177,160
India and B. Colonies	21,166	5,469	26,635	2,813,118	739,904	3,553,022
Total	2,593,688	1,207,542	3,801,230	26,218,114	28,820,754	55,038,868
Denmark	1,584	—	1,584	34,317	7,186	41,503
Japan	13,553,331	16,769,248	30,322,579	126,509,467	135,286,320	261,795,787
Korea	1,140,562	422,524	1,563,086	12,240,667	33,572,191	45,812,858
Total	14,690,893	17,191,772	31,885,665	138,750,134	168,858,511	307,608,645
Russia	7,490,392	10,499,885	17,990,277	15,747,789	40,282,245	56,030,034
U. S. A.	6,774,292	411	6,774,703	25,890,078	10,258,179	36,148,257
Philippines	1,286	—	1,286	31,923	1,909,178	1,941,101
Total	6,775,578	411	6,775,989	25,922,001	12,167,357	38,089,358
Germany	150,905	256	151,161	8,534,228	1,420,150	9,954,378
Belgium	14,584	18,635	33,219	5,459,170	325,205	5,784,375
Netherlands	—	—	—	950,893	29,709,789	30,666,682
Dutch India	244,141	2	244,143	956,101	7,565,645	8,521,746
Total	244,141	2	244,143	1,906,994	37,275,434	39,182,428
Other Countries	—	278	278	7,488,391	43,351,322	50,839,713
Total	31,964,765	28,918,781	60,883,546	230,061,138	332,508,164	562,569,302
China Proper	21,147,269	18,666,342	39,813,611	99,542,731	93,143,327	192,686,058
Grand Total	53,112,034	47,585,123	100,697,157	329,603,869	425,651,491	755,255,360

During the past twenty-two years, Japan's trade (including Korea) with Manchuria increased about nine times, but she bought more than she sold in most of these years. Great Britain's share, including Hongkong and other dependencies, increased more than ten times in the same period, and her purchases were a little greater than her

sales in recent years. But, in her exports to Manchuria, Hongkong's share included goods exported from other countries, the place of origin not being recorded in the Customs returns. If the imports of other countries be deducted from Hongkong's share, the British share might be much lower. It is of interest to note that Canada's trade with Manchuria, though insignificant in recent years, has markedly increased, as her exports to Manchuria in 1929 were valued at 3,380,000 Tls., of which 2,420,000 Tls. represented flour, and 680,000 Tls. kerosene and other oils. The trade of China proper with Manchuria increased about five times. The Russian trade increased five times in 1928 and decreased to three times in 1929, but more than half of Russian export from North Manchuria went to Japan, and to some extent to China, Denmark and other European countries in most years. This is particularly true in regard to the export of bean products through Vladivostok. The share of the United States, including the Philippine Islands, increased a little less than six times. Her purchase of Manchurian products was negligible for many years, but has increased in recent years. Her share of importation amounting to 25,922,001 Tls. might be increased, if American goods reshipped from Japanese ports or from Shanghai were calculated. Of the total import, kerosene and other oils amount to 7,170,000 Tls., steel and iron, including machinery, vehicles, etc. to 6,304,000 Tls., flour 7,023,000 Tls., and so on. The Netherlands and Dutch India bought in 1929 in Manchuria about 37,000,000 Tls. worth of goods, and sold 1,900,000 Tls. Germany sold her products to the value of 8,500,000 Tls., and purchased Manchurian products valued at about 1,400,000 Tls

86 Trade According to Ports

In the commercial history of Manchuria, the growth of Dairen as a world port, and the creation of a great export trade in beans, are the most significant features.

In 1907, when Dairen was opened to trade, its position in the trade returns in the Chinese Maritime Customs was tenth in rank, its total trade amounting to 12,542,883 Tls. Newchwang was ninth in the same year. Dairen soon passed Newchwang, and rose to fifth rank in 1910, third in 1912, and has been second since 1917; that is, next to Shanghai, the position of which has always been first, and is apparently unsurpassable by any other port in China.

As far as trade in Manchuria itself is concerned, Dairen has occupied the supreme position since 1910. Its share has been more than

55% of the total trade of Manchuria for many years. The trade for 1929 aggregated 755,255,360 Tls., the Dairen share being 66%. Antung, being the junction of the Antung-Mukden line and the Korean railways, its trade relations with Korea have been growing year after year. Antung's trade surpassed that of Newchwang in 1918; for 1929 it amounted to 92,360,810 Tls., representing more than 13% of the total trade of Manchuria. In the same year the returns for Newchwang aggregated 86,564,949 Tls., representing about 10% of Manchurian trade.

In North Manchuria, i. e., at Harbin, Manchuli, and Suifenho, on the Chinese Eastern Railway, and at Aigun, near the Amur river, commerce was slowly increasing before the European war. Their aggregate trade amounted to 34,715,000 Tls. in 1913. But as a result of the war, and later the Russian political disturbances, trade gradually decreased until it was only 20,000,000 Tls. in 1922. After peace and order were restored in North Manchuria, conditions in this region gradually improved. The returns for Harbin, Manchuli, Suifenho, and Aigun in 1928 aggregated 108,978,061 Tls. or 16 per cent. of the total Manchurian trade of that year. But their shares in the trade of 1929, affected by the Sino-Soviet dispute over the Chinese Eastern Railway, fell to 58,014,030 Tls., or 7.60 per cent. of Manchurian trade. The table in the following page shows the growth of the trade of Manchuria according to ports:

	1908			1918			1929		
	Import	Export	Total	Import	Export	Total	Import	Export	Total
Dairen	20,276,649	12,841,258	33,117,907	97,435,621	108,152,497	205,588,118	206,083,814	302,444,099	508,527,913
Newchwang	21,827,810	19,848,245	41,676,055	25,286,531	16,424,976	41,711,507	52,269,198	34,295,751	86,564,949
Antung	3,692,452	4,352,901	8,051,353	29,438,708	15,718,704	45,157,412	49,788,605	42,572,205	92,360,810
Lungchingztu	—	—	—	1,582,425	1,187,690	2,770,115	3,923,090	3,264,096	7,187,186
Hunchun	—	—	—	585,921	659,110	1,645,031	1,008,541	911,894	1,920,435
Total	45,796,911	37,048,404	82,845,315	154,329,206	142,142,977	296,472,183	313,073,248	383,488,045	696,561,293
Harbin	—	—	—	15,443,512	20,654,701	36,098,213	16,146,186	41,867,844	58,014,030
Manchuli	3,064,654	1,263,137	4,327,791	—	—	—	—	—	—
Suifenho	4,250,469	9,273,582	13,524,651	—	—	—	—	—	—
Aigun	—	—	—	7,446,438	4,058,488	11,504,926	384,435	295,602	680,037
Total	7,315,123	10,536,719	17,851,842	22,889,950	24,712,189	47,603,139	16,530,621	42,163,446	58,694,067
Grand Total	**53,112,034**	**47,585,123**	**100,697,157**	**177,219,156**	**166,356,166**	**344,075,322**	**329,603,869**	**425,651,491**	**755,255,360**

87 Trade According to Principal Commodities

Like Shantung and Korea, the exports of Manchuria are mostly agricultural produce.

Beans and their products, beancake and bean-oil, to-day command the world's markets. For many years the export of these products constituted more than half of the total exports of Manchuria. Total exports in 1929 amounted in value to 425,000,000 Tls. of which 285,000,000 Tls., or over 67% of the amount represented the value of beans, beancake and bean-oil. Japan became the heaviest purchaser of beans and beancake after the Sino-Japanese war. Including Korea, Japan's purchase of these products for 1929 amounted to about 100,000,000 Tls. Since the Mitsui Company made the first considerable trial shipment to England in 1908, Manchurian beans and bean-oil have become popular in European countries and to some extent in America. European countries — Great Britain, Netherlands, Italy, Germany, France, Denmark, and others put together purchased as much as Japan. But while Europe bought more beans, more beancake was exported to Japan. The growth of this remarkable trade is shown in the following figures:

Year	Beans	Beancake	Bean-Oil	Total
	U.S. Tons	U.S. Tons	U.S. Tons	U.S. Tons
1909	977,431	717,222	38,056	1,732,709
1910	831,467	637,843	46,077	1,515,387
1911	821,937	911,882	67,321	1,801,140
1912	650,106	727,131	58,606	1,435,843
1913	532,570	907,292	73,200	1,513,062
1914	672,400	804,846	49,077	1,526,323
1915	928,901	1,073,349	82,929	2,085,179
1916	575,637	992,592	103,530	1,671,759
1917	651,696	1,255,642	128,024	2,035,362
1918	512,243	1,332,628	152,385	1,997,256
1919	771,987	1,504,596	153,350	2,429,933
1920	701,104	1,500,674	138,888	2,340,666
1921	855,298	1,658,553	131,697	2,645,548
1922	1,148,557	1,790,926	131,707	3,071,190
1923	1,322,407	2,048,272	173,057	3,543,730
1924	1,509,560	1,879,708	152,036	3,541,304
1925	1,614,111	1,747,422	168,736	3,530,269
1926	1,577,471	2,129,225	199,285	3,905,981
1927	2,034,645	2,192,317	180,597	4,407,559
1928	2,681,402	1,813,169	142,159	4,636,730
1929	3,041,932	1,548,897	130,221	4,721,050

The important export next to beans is millet. For 1929 this trade was valued at as much as 16,470,000 Tls., of which about 14,688,000

Tls. was purchased by Korea, and the balance shipped to the Maritime Province of Asiatic Russia, where numbers of Koreans have settled, and China proper. Of the export of kaoliang, valued at 7,710,000 Tls., about 5,184,000 Tls. in value goes to China proper, 1,923,000 Tls. to Japan, 276,000 Tls. to Korea, and the rest to other countries. The export of other cereals, such as wheat, wheat-bran, maize, barley, etc., was valued at 9,500,000 Tls., Japan and Korea being leading purchasers.

With regard to mineral products, the export value of coal was 37,620,000 Tls., of which, 18,610,000 Tls. represented the value of exports to Japan, 3,016,000 Tls. to Korea, 12,607,000 Tls. to China and 1,809,000 Tls. to the Philippines. The exports of pig-iron, scrap-iron and other iron were valued at 7,371,000 Tls., of which Japan purchased more than 85 per cent.

Cotton goods are still the most important item of import. Including cotton yarn, valued at 12,653,000 Tls., total imports aggregated 80,-189,000 Tls., or more than 24 per cent. of the whole import trade for 1929. More than 60 per cent. of cotton goods was imported from Japan, but 79 per cent. of cotton yarn from Chinese ports. The value of imports of steel, machinery, vehicles (including automobiles, locomotives, etc.) was more than 38,272,000 Tls., almost 25% of which were direct imports from the United States, 60% from Japan, less than 10% from Germany, and the balance from England, Belgium, France, Italy, Canada, etc. Kerosene oil valued at 7,691,000 Tls. was imported in the same year, more than 65 per cent. being United States products. Imports of woolen goods amounted to about 8,013,000 Tls., in value, of which 1,514,000 Tls. were imported direct from England, 2,440,000 Tls. from Japan, 2,212,000 Tls. from China, and 1,603,000 Tls. from Germany. Some of the woolen goods from China and Japan, however, must be considered English or German goods transhipped at Chinese and Japanese ports.

The table in the following page shows the important imports and exports for 1929 according to commodities in South and North Manchuria, excepting East Manchuria and Aigun, the trade of which was insignificant.

PRINCIPAL COMMODITIES OF EXPORT AND IMPORT
FOR 1929

Exports	Hk. Tls.	% of Total	Imports	Hk. Tls.	% of Total
Soya Beans	168,169,258	40	Cotton Piece Goods.	68,067,259	21
Beancake	65,318,739	15	Wheat Flour	23,462,525	7
Coal & Coke.....	37,620,633	9	Iron & Steel	17,151,298	5
Bean Oil.....	21,563,500	5	Wool, Silk & Misc. Piece Goods	16,648,052	5
Millet	16,470,954	4	Gunny Bags	14,435,129	4
Kaoliang.....	7,716,200	2	Tea, Liquors & Other Provisions.	14,044,653	4
Seeds	12,384,929	3	Cigarettes & Cigars.	12,653,260	5
Other Cereals.....	9,596,455	2	Cotton Yarn	12,122,712	4
Raw Silk (Wild) ...	9,096,600	2	Machinery	11,861,281	4
Other Beans	8,722,759	2	Sugar	9,994,622	3
Iron & Iron Manufactures	7,371,348	2	Vehicles	9,260,886	3
Leather, Hides & Skins	5,223,697	1	Kerosene Oil	7,691,927	2
Timber, Bamboo, etc.	4,468,181	1	Medicine.....	7,394,399	2
Unclassed Merchandise	51,928,238	12	Paper	7,339,050	2
			Clothing, etc.	6,782,651	2
			Leather, Hides, Skins, Bones, Horns.....	6,772,684	2
			Cereals & Seeds ...	5,488,432	2
			Fruit & Vegetables.	4,490,281	2
			Tobacco	4,414,207	1
			Electrical Materials.	4,161,012	1
			Unclassed Merchandise	65,367,549	12
Total	425,651,491		Total	329,603,869	

88 Shipping in Manchurian Ports

Shipping in the principal Manchurian ports, Dairen, Newchwang and Antung, has made steady growth during the last sixteen years. In 1913, one year before the European war broke out, steamers and sailing vessels engaged in foreign and coastal trade aggregated about 7,000,000 tons. The total fell off to about 4,500,000 tons in 1917, owing to world-wide shortage of bottoms during the European war, but made quicker growth after the war, and increased to 16,359,473 tons in 1929. Should vessels shipping transit cargoes of North Manchurian products at Vladivostok be added, the total would be much greater.

While British vessels engaging in the Chinese trade as a whole occupied some 37 per cent. of 57,926,507 tons for 1929, and the

Japanese flag 27 per cent., Japanese vessels engaging in the Manchurian trade alone shared about 63 per cent. of 16,359,473 tons for the same year, and the British flag 11 per cent. In recent years the Chinese flag has shown an upward tendency, and often occupied second position, as in 1929. The German flag occupies fourth position, and though the number of vessels is few, this is counteracted by a marked increase in tonnage. Shipping activities in Manchurian ports according to flags are shown in diagram form, and in the following table:

TRANSIT TRADE ACCORDING TO FLAGS

Flag	1913 Tonnage	1913 %	1929 Tonnage	1929 %
Japanese	4,926,735	71	10,336,139	63
Chinese	429,306	6	1,887,636	12
British	1,078,505	15	1,839,825	11
German	389,002	6	893,118	5
American	4,146	—	439,426	3
Others	142,533	2	963,329	6
Total	6,970,227	100	16,359,473	100

89 Customs Tariffs

The Chinese Customs tariff heretofore existing was based on the Treaty Agreements of Tientsin concluded with Great Britain and France in 1858. It was on a five per cent. *ad valorem* basis on dutiable imports and exports, although the actual rates were mostly specific.

Following the precedent arrangements made by Great Britain, France and Russia for a preferential land-frontier Customs tariff rate, the Japanese Government secured from China on May 29, 1913, a reduction of one-third from the Customs tariff on all dutiable imports transported to Manchuria from Korea over the South Manchuria Railway and the Korean Government Railways, the same reduction also to apply to export duties on dutiable goods carried by rail from Manchuria to Korea. Soon after the Washington Conference, the Chinese Government abolished, in April, 1922, the privilege of a preferential land-frontier tariff rate given to Russia in North Manchuria without the consent of the Russian authorities. At the Washington Conference the Powers agreed that a Special Conference should be convened to authorize the levy of a two and a half per cent. *ad valorem* import surtax, except on certain luxuries upon which the total surtax should not exceed five per cent. The Special Conference was held at Peking

in February, 1925, but practically no agreement was reached after protracted parleys. During the year 1928 China concluded a number of treaties with most of the Western Powers, and recovered her right to tariff autonomy. Then the Customs tariff of the Chinese Republic was promulgated and went into force on February 1, 1929, by which the old five per cent. *ad valorem* basis of the import tariff was to be done away with. The new rates ranged from $7\frac{1}{2}$ to $27\frac{1}{2}$ per cent. The negotiation on the tariff question with Japan, whose commercial and industrial relations with China were more complicated than those of any other nation, was naturally prolonged. But an agreement relating to the tariff was finally concluded on May, 6, 1930, between them, by which Japan recognized China's right to tariff autonomy. Simultaneously a Note was exchanged whereby Japan, after four months, relinquished the one-third reduction of tariff allowed on rail-borne cargo across the land frontier between Korea and Manchuria, which was provided in the Agreement of 1913. China nominally exercised tariff autonomy when her first statutory tariff went into force on February 1, 1929, but the change did not become an accomplished fact until November 18, 1930, when the exchange of ratifications of the Sino-Dutch Treaty regulating tariff relations took place. After China's tariff autonomy had thus been recognized by all the Treaty Powers, China promulgated on December 29, 1930, and enforced on January 1, 1931, tariff rates retaining the original 5%, and increasing to $7\frac{1}{2}$, 10, $12\frac{1}{2}$, 15, 20, 25, 30, 35, 40, 45 and 50 per cent. The highest rate, 50%, is imposed on luxuries, i. e., European liquors, Japanese saké, beer, manufactured tobacco (except leaf-tobacco of the lower grade), and silk clothing. The 40% duty on matches and chinaware, the $12\frac{1}{2}$% duty on cement, the 15% duty on brown sugar and the 10–15% duties on paper are rather high, and may be designed to protect home industry. These high tariffs might unfavourably affect Japanese imports. The 5–$7\frac{1}{2}$% duties on agricultural and industrial machines and tools, airplanes, rails and railway rolling-stock are designed to encourage transportation facilities and industrial and agricultural development. These lower tariffs naturally will attract imports from the United States and European countries. Japan and China, however, made a reciprocal arrangement, by which import duties on certain Japanese cotton goods, certain sea products and wheat flour should be retained for a period of three years at the rates specified in the Chinese Statutory Tariff of 1929 including certain miscellaneous goods for a period of one year, and on the part of Japan the existing import duties on certain Chinese grass cloth, silk piece-goods and embroidered tissues should be maintained for the same period as the

maximum rate. The Chinese Government reserved the right, however, to increase even within the limited period the import duties specified in the reciprocal arrangement by "not more than two and a half per cent. *ad valorem*," except the rate on cotton yarn, several items included in fishery and sea products, and wheat flour. A similar reservation was also made with respect to rates on certain commodities listed among Miscellaneous Goods.

These conventional rates naturally will be applicable to the imports of other Powers by virtue of the most-favoured-nation clause in their agreements with China.

VII AGRICULTURE

90 General Features

Manchuria is often described as the "granary of Asia," as possessing "one of the richest soils in the world," or as "the land of opportunity." The fame of Manchuria was established in the political and diplomatic senses in connection with the Sino-Japanese war, the Russian railway penetration, and the Russo-Japanese war. But its agricultural destiny was not generally realized until the South Manchuria Railway Company, running through the valley of the Liao River, brought large supplies of Manchurian beans to Dairen, whence they were shipped to waiting markets in Europe. To-day, Japan purchases a greater proportion of the agricultural produce of Manchuria than China proper, or any Western country. Indeed, Manchurian produce constitutes an important proportion of the national foodstuffs of Japan and raw material for Japanese industries.

The most extensive mass of level land between the two great mountain ranges, Khingan and Changpai, extending over the greater part of northern Manchuria and the whole of central Manchuria, and comprising the basins of the Liao, Sungari, Nonni and Hulan Rivers, constitutes the main arable area. The chief feature of the south-western part of this area, which comprises the entire valley of the Liao River and reaches out into Eastern Inner Mongolia, is the broad, level surface and a soil well suited for agriculture. But this region is cultivated and thickly populated, with the exception of the upper reaches of the rivers and parts adjacent to Mongolia, so that there is little room left for further exploitation. The central part, which occupies the middle area of Manchuria and is watered by the Hurka River and the upper and middle reaches of the Sungari, is possibly the best agricultural region in Manchuria, and there is still room for further development. Furthermore, the lands around Changchun, Kirin, and Harbin have ample railway facilities for transporting local products. The northern part, comprising the whole of the northern region, watered by the lower Sungari, the Nonni, and the Amur, is generally rich in soil and largely virgin. As this region is sparsely populated, there is plenty of room for immigrants and for development. Lastly, the south-eastern part of Manchuria, comprising the whole valley of the Yalu River on the Manchurian side, and Liaotung Peninsula, including the Japanese

Land Reclamation by the Manchurian Pony

Experimenting in Land Reclamation by Tractor at the S. M. R. Experimenting Farm

Experimenting in Land Reclamation by Chinese at Koshan, along the Tsitsihar-Koshan Railway

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Leased Territory of Kwantung, is mountainous, and in general, contains a sterile soil mixed with gravel. The Leased Territory is broken and hilly, and its soil is poor. As it is most densely populated, every yard of arable land, even the hill-sides and the river-beds, is under cultivation. The same condition prevails in the valley of the Yalu with the exception of the district along its upper reaches. In Manchuria as a whole, the better or best farm-lands are found in North Manchuria rather than in South Manchuria.

The following table shows the total area of cultivated lands, and the percentage to the total area of Manchuria as estimated in 1929, according to province:

	Area		Cultivated Land in acres	Percentage of cultivated land
	Sq. miles	Acres		
Mukden	90,224	57,743,360	11,034,500	19.1
Kirin	81,018	51,851,520	11,923,560	22.9
Amur	211,385	135,286,400	9,386,360	6.9
Total	382,627	244,881,280	32,344,420	13.1

The area of cultivated lands has been considerably increased during the last twenty-three years. In 1919, it was estimated at 17,788,100 acres, of which 6,374,100 acres were in Mukden, 7,547,000 acres in Kirin, and 3,867,000 acres in Amur Province. The cultivated lands, though amounting to over thirty-two million acres to-day, could be greatly increased by the continual inflow of immigrants and by the introduction of tractor farming specially in North Manchuria, where great areas of virgin lands await exploitation.

91 Agricultural Exploitation in North Manchuria

While most of the arable lands in South Manchuria are practically under cultivation, there are still many millions of acres of virgin land in North Manchuria, especially in Amur Province and in Jehol Province, and in the northern parts of Kirin and Mukden Provinces. The late General Wu Chun-sheng, of Amur Province, took the initiative in exploiting farming districts by planning railway construction. The Hulan-Hailun Railway running 137 miles north from Harbin was built in 1926–8 as a joint undertaking of the Amur Government and a private syndicate. The Tsitsihar-Koshanchan Railway, 98 miles, was built in 1928. The Khingan Exploitation Bureau (屯墾局) was created in August, 1928, at Taonan, by the Mukden Government to exploit the north-eastern section of Mukden Province and Jehol Province, and began construction of a railway from Taoan to Solun, about 170 miles.

The introduction of modern farming machinery will play an important part in opening up undeveloped lands in Manchuria on a large scale. It is said that Mr. Li Yun-shu, of Shanghai, in 1915 first introduced an American tractor in Han-ho, northern Amur Province, with which he experimented on his land covering about 100,000 acres. The International Harvester Export Co., of Chicago, established a branch at Harbin before the European war and sold a number of such tractors specially after the war. Kungchuling Agricultural Experiment Station, maintained by the S. M. R., for several years past has tested and demonstrated with tractors. Several Chinese Government institutions and private associations have widely adopted the tractor for exploiting undeveloped lands. The Khingan Exploitation Bureau, established at Taonan, has purchased ten, while those concerned with the late General Wu Chun-sheng, in Amur Province, purchased nine machines, with which valuable preliminary work is being accomplished.

92 Agricultural Produce

The principal agricultural produce of Manchuria is the world known soya bean and kaoliang, the staple food of the native. These two are followed by millet, maize (Indian corn), wheat, barley, and rice. Among other products are hemp, flax, ramie, tobacco, cotton, and wild silk cocoons. Of live-stock, cattle, horses, donkeys, mules, sheep, goats and hogs are important. The quantities of these varied products are difficult to ascertain, because of the lack of reliable statistics among the Chinese authorities. According to a statistical estimate made in 1915 regarding cereals, the total amount of annual production aggregated 404,493,000 bushels, of which kaoliang figured as high as 183,491,000 bushels, beans 86,849,090 bushels, millet 30,505,000 bushels, maize 34,429,000 bushels, barley 28,038,000 bushels, wheat 25,301,000 bushels, and rice 7,407,852 bushels. A statistical report on these products for 1929, prepared by the Research Office of the South Manchuria Railway Company, gives the aggregate figure of 786,789,338 bushels. During the last fourteen years, the annual return of cereal products in Manchuria has doubled. The following table gives details of production of Manchurian cereals as existing in 1929:

Bean Field in Manchuria

Bean-hackling by Pony

Soya Beans brought to Kaiyuan Station

Harvesting Kaoliang

Harvesting Millet

Harvesting Rice

	Mukden	Kirin	Amur	Total (Figures in parentheses in American tons)
	Bushels	Bushels	Bushels	Bushels
Soya beans.....	51,310,106	97,003,883	73,510,560	221,824,549
	(1,237,770)	(2,340,050)	(1,773,310)	(5,351,130)
Other beans	7,123,852	5,869,400	2,632,492	15,625,744
	(189,550)	(156,170)	(70,050)	(415,770)
Kaoliang	120,837,353	64,174,471	32,755,796	217,767,620
	(2,861,540)	(1,519,710)	(775,690)	(5,156,940)
Millet	49,777,866	69,917,186	51,399,089	171,094,141
	(1,074,240)	(1,508,810)	(1,109,230)	(3,692,280)
Maize	41,063,999	21,349,163	10,805,792	73,218,954
	(996,320)	(517,990)	(262,180)	(1,776,490)
Wheat	4,868,375	23,789,693	30,055,584	58,713,652
	(118,980)	(581,410)	(734,540)	(1,434,930)
Paddy-field rice.....	4,390,882	3,691,529	400,481	8,482,892
	(78,010)	(65,590)	(7,120)	(150,720)
Upland rice	4,663,071	5,530,563	454,145	10,647,779
	(75,430)	(89,460)	(7,350)	(172,240)
Other cereals.....	45,366,018	28,496,958	24,854,269	98,717,245
	(923,260)	(579,950)	(505,820)	(2,009,030)
Total	329,401,522	319,922,846	226,868,208	876,092,576
	(7,555,100)	(7,359,140)	(5,245,290)	(20,159,530)

93 Kaoliang

Kaoliang, or sorghum, being not only the staple food of the native population, but the principal grain food of numerous animals engaged in farm work, the major portion of the cultivated land of Manchuria has been devoted for centuries to the cultivation for this grain, and its production surpassed even the celebrated Manchurian bean. But the tremendous growth of demand in the world market caused bean cultivation gradually to encroach on the premier position held by kaoliang, and to-day about 33 per cent. of the cultivated area is devoted to beans, and 26 per cent. to kaoliang. Less than ten per cent. of the annual production of kaoliang is sold outside Manchuria. The export of this product in 1929 amounted to about 5,401,000 piculs, 60 per cent. of which went to China proper and 36 per cent. to Japan. This cereal is largely used in China for foodstuff, spirit distilling, and cattle-feed. In Japan, the import of this Manchurian cereal is gradually on the increase as raw material of foodstuff manufacture, especially for cornstarch, and live-stock feeding.

94 Soya Beans

The story of the Manchurian bean is a striking romance in economic history. The Japanese, though naturally regretting the loss of the Liaotung, the "legitimate fruit" of the Sino-Japanese war, found some compensation in the discovery of the Manchurian bean, which revolutionized the fertilizer industry and became a substitute in the Japanese rice-field for the dry-herring fertilizer then extensively used. Ever since, the Japanese has been the heaviest purchaser of the Manchurian bean. The first trial shipment of this legume was made in 1908 by the Mitsui Firm of Japan, being sent from Dairen to Liverpool, and this was the beginning of a new industry in England, Germany, Denmark and Holland. The major portion of the beans destined for Europe was for the mills at Liverpool and Hull, England; for those at Copenhagen, Denmark, and Rotterdam and Amsterdam, Holland. Germany's consumption subsequently became greater than all, and this, though interrupted during the European war, is recovering. At the time of the universal shortage of food during the great war, the Manchurian bean played a very important part in the world's food supply.

The demand for the Manchurian bean is ever-increasing. Beans and beancake imported by Japan, as foodstuff or fertilizer, are to-day helping in the solution of the national food problem.

The influence of the Manchurian bean on national economy is remarkable. Denmark was more than self-supporting in the production of cereals, specially wheat, until thirty years ago. But Danish products found themselves unable to compete with American large-scale production, even in the home market. Aided by the Manchurian bean, the Danes turned extensively to stock breeding. The bean is imported, the oil extracted and used for manufacturing margarine (vegetable butter), soap, etc., while the residue of cake is extensively used as feed for live-stock, which totaled as many as 18,524,000 head in 1926, besides many million run of poultry. The consequence was the development of an enormous export trade in animal products, butter, cheese, bacon, ham, eggs, and also live-stock. The value of this great trade is some 1,027 million kroner, or more than 70 per cent. of Denmark's total export. Holland, to some extent, is in a similar position.

Regarding the quality and quantity of the beans, the Manchurian product possibly surpasses that of any other country. Beans can be grown in the central and northern parts of the temperate zone, in which lie North America, the northern part of Japan, Korea, and North China. That the Manchurian beans have come to occupy such an

enviable position is due entirely to the suitability of Manchuria, South and North, for bean cultivation, in regard to both climate and soil. The average production per acre is 22 bushels in Manchuria, while it is 19 bushels in Japan, 16 in the United States, 12 in Korea, and 16 in China proper. Bean cultivation in the United States has been very rapidly increased, the total acreage prior to 1917 aggregating less than 500,000 acres was increased to 2,500,000 acres in 1924 and to 3,500,-000 in 1928. But the greater part of bean cultivation in the United States is for ensilage, pasture, and hay.* The aggregate return of world production was in 1928–9 estimated at 353,842,000 bushels, of which the Manchurian product amounted to 221,824,000 bushels, or 63 per cent. of the total. While bean production in other parts of the world is rather at a standstill, production in Manchuria is increasing each year, and the annual return for 1929 was estimated 221,000,000 bushels. The following table shows estimated production in the world's bean zones in 1929:

Country	Under Cultivation, Acres	Annual Production, Bushels	Production per Acre	Percentage to World Production
Manchuria	9,864,060	221,824,549	22 bushels	63
China Proper	5,635,000	89,340,000	16 „	25
Japan	913,836	17,730,559	19 „	5
Korea	1,961,527	22,696,178	12 „	6
U. S. A.	1,372,000	2,251,368	16 „	1
Total	19,746,423	353,842,654		100

The reason why the Manchurian bean commands world-wide popularity is the actual value of this staple as foodstuff, feed for live-stock, fertilizer, and as raw material in various chemical industries. It contains a higher protein content, i. e., 40%, fat 17%, nitrogen free extract 22%, water 8.5%, ash 5.5%. Of course, the constituents vary more or less according to locality of plantation, kind, and year when grown. Manchurian beans are divided into four classes according to colour — yellow, white eye-brow, green, and black. The chemical composition of these beans, according to analyses made in 1927 by the Central Laboratory at Dairen is as follows:

	Moisture	Crude Fat	Crude Protein	Crude Fibre	Nitrogen Free Extract	Crude Ash
	%	%	%	%	%	%
Yellow	11.06	18.19	39.94	5.20	21.41	4.30
Black	11.96	14.74	41.00	5.34	23.01	4.20
Green	8.13	18.96	40.12	5.45	22.54	4.80

* "Soy Beans Culture and Varieties," U. S. Department of Agriculture, Farmers' Bulletin No. 1520, issued April, 1927.

95 Produce Exchanges

In order to facilitate commercial transactions in important products of Manchuria — beans, beancake, oil, kaoliang and other cereals — several produce exchanges were established during the years 1913–1920 under the control of the Kwantung Government at important centres along the South Manchuria Railway line, such as Dairen, Mukden, Tiehling, Kaiyuan, Changchun, Ssupingkai, and Kungchuling. To each of these produce exchanges is attached a Trust and Guarantee Company organized by private shareholders as the medium guaranteeing the actual delivery of goods transacted for and also for settling accounts. A member of the exchange who deals in future delivery must pay 100 yen as licence fee per year, and he who deals in spot or cash delivery 20 yen. Members dealing in future delivery numbered in 1929 as many as 116, of whom 36 were Japanese and 78 Chinese, while those dealing in spot delivery numbered 80, of whom 26 were Japanese and 54 Chinese.

The following table shows the activities of these exchanges:

Year	Amount of Future Delivery in Silver Yen	Amount of Spot Delivery in Silver Yen	Total
1913	31,367,176	10,212,821	41,579,977
1918	914,171,680	69,248,908	983,420,588
1923	1,052,874,529	31,415,558	1,084,290,087
1928	16,968,655,289	274,367,413	17,243,022,702
1929	15,967,560,027	570,992,881	16,538,552,908

Among the Chinese Produce Exchanges, there is one at Harbin, called the Harbin Bond & Grain Exchange Co., Ltd. (濱江商券糧食交易所股份有限公司), which is said to carry on a fairly large business. At Antung, the Produce Market Commercial Association (商務會糧市) conducts future and spot transactions.

Beside transactions through Produce Exchanges, there are special Chinese commercial usages which classify produce under separate heads, as "river beans" (河俔), "railway beans" (火車俔), "cart beans" (馬車俔), "green-field beans" (寫青豆), and others. "River beans" are mostly brought by junk in summer to market where transactions take place, and they are distinguished from railway shipments. New crop beans are transported by horse cart to the nearest market, where producer or shipper conducts transactions during the winter. "Green-field beans" are dealt with as they stand in the field, a peculiar form of future delivery, especially in North Manchuria. Transactions are concluded generally on the basis of the estimated harvest as it stands

Experimental Tobacco Plantation at Fenghuangcheng Model Farm

Improved Tobacco Plantation adopted by the Native

Leaf-tobacco Dried in the Sunshine

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in the field, and at a price considered fair about the time of delivery. Such transactions are concluded with farmers in July or August when the time of delivery is fixed: 50–80 per cent. of contract price is paid in advance, and the balance at the time of delivery. This method was often practised by Chinese produce dealers with foreign firms, such as the East Asiatic Company, of Denmark, and the Mitsui Firm, of Japan, when competition was keen.

96 Other Staple Products

Staple produce other than grains in Manchuria are flax, tobacco, wild cocoons, and raw cotton.

Cultivation of flax in Manchuria was primarily to obtain linseed oil, or Tamatzu oil, as it is called by the Chinese. The districts raising flax for the purpose of obtaining its seed are mostly in the level lands of the Liao and Sungari valleys. Flax is grown for the sake of its fibre in the hilly districts of the eastern parts of Mukden and Kirin provinces. From the fibres are made nets, ropes, and coarse cloth, the waste being utilized for making native paper.

Tobacco is cultivated to a fair extent in Manchuria. The aggregate production was recently estimated at 48,750,000 kin, or 65,000,000 pounds a year. The native tobacco is of inferior quality. In the year 1929, Manchuria exported tobacco to the value of 2,143,000 Hk. Tls., and imported tobacco valued at 12,653,000 Hk. Tls.

97 Wild Silk and Cotton

Wild cocoon culture for making Tussah or wild silk possibly dates back about one hundred years, when sericulture was first introduced by immigrants from Shantung Province. The southern part of Mukden Province, in particular, the so-called Liaotung Peninsula, is noted as the most flourishing centre of this industry, Antung and Kaiping being the principal distributing markets. No reliable statistics are available concerning wild cocoon production. The annual output in Mukden and Kirin Province is estimated at 8,000,000,000 to 10,000,000,000 cocoons, valued at about 25,000,000 yen. The wild raw silk alone exported in 1929 was valued at 9,096,600 Hk. Tls. If cocoons, waste and silk cloth be included, the total export amounted to 11,566,220 Hk. Tls. The table below shows the export of wild silk production for the past several years:

Year	Wild Silk Cocoon	Wild Silk Yarn	Wild Silk Waste	Pongee Silk	Total Value in Hk. Tls.
1925.....	1,198,977	11,380,227	1,029,020	357,966	13,966,190
1926.....	893,020	10,493,915	1,027,677	533,134	12,947,746
1927.....	707,952	10,256,250	1,191,559	422,760	12,578,521
1928.....	615,649	8,585,714	1,371,597	701,610	11,274,580
1929.....	868,121	9,096,600	1,085,319	1,016,180	11,566,220

The world cotton cultivation zone is generally understood to be below latitude 37 degrees. Manchuria lies above this zone, yet the southern part of Manchuria to-day produces about 32,000,000 pounds of cotton. The districts along the Peking-Mukden Railway and those along the South Manchuria Railway produce about fifty-fifty in proportion. Cotton cultivation in Manchuria was first introduced by Chinese at the time when the Tang Emperor concentrated his forces in Manchuria to invade Korea in 662 A. D. Cultivation was continued for centuries under primitive conditions and nothing was done to improve it until recent years. The agricultural experimental farms maintained by the Kwantung Government and the South Manchuria Railway Company took the initiative in improving cotton cultivation in the Leased Territory and Railway Zone by introducing upland cotton of American origin raised in Korea and by distributing improved seeds among native cultivators. Upland cotton cultivation in the Leased Territory covers 4,254 acres, the annual crop amounting to 1,348,173 pounds. The Mukden Government is also encouraging cotton cultivation in the districts along the Peking-Mukden Railway and the Liao River.

98 Live-Stock

The trade of Manchuria and Mongolia was originally based upon horse-breeding, the staple industry of a people who achieved almost world-wide empire under the great Kublai Khan. While the early Manchu people dominated the country, stock-farming was their chief occupation. With the entry of the Chinese, the rich pastoral lands were gradually put under the plough, particularly in South Manchuria. Yet, to-day, a shadow of the old pastoral age is visible in the western part of Amur Province and on the Mongolian frontier, where the inhabitants are still devoted to cattle breeding. Chinese farmers in Manchuria, however, generally keep large numbers of oxen, horses, mules, and donkeys, for breeding, farming and transport. Sheep and pigs are also extensively raised in Manchuria and Inner Mongolia. The following table is an estimate of the numbers of live-stock in Manchuria in 1929:

Open Sheep Pasture near Manchuli

Horse Pasture on the Plain near Taonan

Cattle on Plain in Mongolia

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	Mukden	Kirin	Amur	Total
	head	head	head	head
Cattle	516,590	429,900	658,650	1,605,140
Horses	660,320	732,300	1,020,790	2,422,410
Sheep	479,560	182,130	1,939,930	2,601,620
Swine	3,288,840	2,273,210	1,789,400	7,351,450
Total	4,945,310	3,617,540	5,417,770	13,980,620

In addition, there are estimated to be 810,000 horses, 1,120,000 cattle, 2,000,000 sheep, and 1,000,000 swine in Eastern Inner Mongolia.

The following are rough estimates of domestic animals slaughtered annually in Manchuria and Mongolia:

	Manchuria	Eastern Inner Mongolia	Total
	head	head	head
Cattle	62,000	220,000	282,000
Sheep	93,000	50,000	143,000
Swine	2,645,000	140,000	2,785,000
Total	2,800,000	410,000	3,210,000

The export of cattle in 1929 amounted to 13,333 head, consigned chiefly to Japan.

The quantities of hides and skins marketed annually are estimated as under:

Cattle hides	245,800
Horse & mule hides	339,700
Donkey hides	34,600
Sheep skins	350,000
Goat skins	470,000
Total	1,440,100

Leather hides and skins exported in 1929 aggregated in value 5,223,000 Hk. Tls. and wool 1,572,000 Hk. Tls.

99 Model Farms and Other Improvement Enterprises

Farming methods in Manchuria changed little during many centuries. The native farmers are slow in selecting better seeds or seedlings, improving the method of manuring, breeding improved cattle, or reclaiming virgin lands.

Since the Japanese advent in Manchuria, the most energetic steps have been taken to improve agriculture by the establishment of model farms, live-stock breeding stations, and seedling nurseries in the Railway Zone and Leased Territory. This has stimulated the Chinese in some

degree, and agricultural experimental farms have been established in the suburbs of Mukden, Kirin and Tsitsihar, where provincial governments are located. Chinese schools of agriculture were also established in Mukden and Kirin, in addition to a botanical garden and seedling station in Mukden. The Russians also have established agricultural experimental farms in Harbin, Anda, and Jeh-hu, along the Chinese Eastern Railway.

Soon after the establishment of the Kwantung Government, organic regulations relating to the creation of the Kwantung Agricultural Experimental Farm were issued in November, 1906, with the object of improving agriculture, cattle breeding, the distribution of better seeds and seedlings, sericulture, etc. The first Experimental Farm was established in 1907 in what is now the Central Park of Dairen; it was moved to Shakako in 1918, and again shifted in 1924 to Chinchou, where the farm was much enlarged, and now covers 206.73 acres. The directors first paid attention to the improvement of fruit trees and vegetables, which had degenerated. Seeds and seedlings of peaches, apples, pears, grapes, cherries and other fruit trees of Japanese or American origin were experimented with, and apples especially were found well adapted to the Leased Territory. The work of the Experimental Farm gradually stimulated fruit cultivation among the Japanese and Chinese. The demand of the large population of Dairen, Port Arthur and other cities along the railway for fruits and vegetables further encouraged the cultivation of fruit trees. From 1910 to 1926, more than 590,000 apple, pear, peach, grape, and cherry seedlings were distributed among these cultivators. More than 10,549 acres of orchard were under cultivation in the Leased Territory and Railway Zone in 1928, and the annual product amounted to 9,287,212 pounds. By the establishment of a sericultural experimental station and sericultural training school, these industries have been encouraged. More than 4,500,000 improved mulberry trees, and more than 30,000 sheets of silkworm eggs were distributed during the past fifteen years. To-day more than 800 families engage in sericulture, and the output of cocoons amounts to 6,500 bushels.

The South Manchuria Railway Company also participated in the agricultural improvement of the Railway Zone. In 1913, an agricultural section was created in the Public Works Department, and ever since experimental stations and nursery farms have been established at several points along the railways. The experimental station established in 1913 at Kungchuling, 400 miles north of Dairen, in the heart of Manchuria, has appropriated 522.69 acres, and more than 600,000 yen has

been invested in buildings, equipment, implements, etc. Work is continually conducted to ascertain what possibilities lie in improving the breeds, and increasing the propagation of the principal agricultural products and live-stock.

Among many experiments, most serious attention has been paid to improving the Manchurian bean. After a series of experiments, this station succeeded in obtaining, by means of selection, four superior kinds of beans, up to 1921. Experiment further continued, and it has been finally advanced to two best kinds which have been adopted as the standard of the improved beans. By the adoption of the improved seed-beans, an increase by 10 per cent. or more, it has been ascertained, can be gained in production. From these beans, more than 8 per cent. of oil can be obtained. In 1922, nursery farms for the improved seed beans, about 174 acres in area, were laid out at Changchun and Kaiyuan, with a view to supplying the improved seed to a more extended area further from the Railway Zone, eventually to cover the whole of Manchuria.

The main station has conducted experiments in the selection of wheat since 1915. Through more than ten years' efforts, the improved breed did not increase more than four per cent. in production. Experimental work with this cereal still continues. The station has found there are greater prospects for improving wheat in North Manchuria than in the South.

Rice cultivation on paddy land in Manchuria is comparatively new, and there is very limited upland cultivation. Cultivation has become very popular since the Japanese arrived in Manchuria; specially as the Koreans are migrating in great numbers, and are now playing an important part in paddy cultivation. Seed transferred particularly from the northern part of Japan was tested at the station, and finally seven kinds of seed rice were selected as the standard of the improved rice. The improved rice yields 30 per cent. more than the native variety. In districts where paddy land is limited on account of the difficulty of irrigation, experimental work has also been conducted for the improvement of upland cultivation. With several kinds of seed from the northern part of Japan, experimental tests in this line have been conducted since 1915. Four improved kinds were finally selected, and they yield 40 per cent. more than the native variety.

With regard to stock farming, the station set about improving sheep and hog breeding, the native breeds of which were in a degenerated condition. By crossing a superior Merino breed imported from abroad with the native Mongolian, a fixed cross of the superior stock has been

obtained, yielding wool of better quality and larger quantity. Similarly with improving native hogs by crossing with the superior Berkshire breed. Improvement in the Mongolian pony and in cattle has also been effected at this main station.

The branch station was established in 1913 at Hsiungyaocheng, where the cultivation of rice, fruit, cotton, and vegetables is carried on. Sericulture is also tested at this station. Experimental tobacco cultivation of American (specially Yellow Orinoco), Japanese, and native leaf proceeds at the Experimental Farm in Fenghuangcheng, on the Antung-Mukden Railway. It was proved that the American variety especially can be acclimatized in these localities and yield greater production than the native plant.

Another experimental farm was established in 1916 at Paiyintala, the gateway to Inner Mongolia, a distributing centre for Mongolian products. The work consists of improving bean, kaoliang, millet, native flax and medical plants, and producing a better type of hog by crossing with foreign breeds. A few years after the establishment of these stations, they were able to distribute improved breeds and seedlings.

Distribution was commenced in 1924 by various experimental stations and farms of the S. M. R., with the following results up to 1929:

Improved soya bean seed	46,790 bushels
Improved paddy rice seed.....	8,400 „
Improved sheep	838 head
Improved hogs.....	449 „
Improved fruit-tree seedlings	315,264 saplings
Improved mulberry tree seedlings	1,386,000 „

In addition, over 36,462,000 saplings have been distributed free of charge for afforestation purposes.

To the Experimental Station at Kungchuling and its branch station at Hsiungyaocheng, agricultural schools for Chinese and Japanese students are attached. These students are educated and trained free of all charge for tuition and boarding.

VIII MINING, FORESTRY, FISHERIES

100 Natural Resources

Manchuria as a whole is rich in natural products. Mineral, timber, and marine products may be found more abundantly in this region than in other parts of China. While most of the mountain ranges and hills in China proper were denuded many centuries ago, even before the Christian era, Manchuria was "virgin land" until very recently. It was in the distant past the hunting field of aboriginal tribes, and its possession later became a continuous cause of conflict among the tribal kingdoms which fought for supremacy. After the Manchu Dynasty had unified China proper, their rulers treated this region as extramural and kept it as "forbidden land," the exploitation of which, not only to the outside world, but more particularly to the Chinese themselves, was denied.

The aggregate forest areas in Manchuria have been roughly estimated at as much as 36,235,268 cho or 88,798,872 acres — the standing timber at about 149,918,085,300 cubic feet. Among mineral products, coal is most important. The deposits of this important mineral in South Manchuria are estimated at 1,200,000,000 tons, in addition to several hundred million tons in North Manchuria. The coal deposits in Chihli, and specially in Shansi Province, are said to be far surpassed by those in Manchuria. Iron deposits in Manchuria are roughly estimated at 400,000,000 tons, mostly in South Manchuria.

Manchuria, though it constitutes a part of the Asiatic continent, has a comparatively long coast line, extending 976 miles, or 855 nautical miles, from the mouth of the Yalu in the east to Shanhaikwan, where the Great Wall of China joins the waters of the Gulf of Pechihli. Its southern part being a large peninsula exposed to the Gulf of Pechihli and the Yellow Sea, it should be favoured with marine life. Furthermore, several large rivers — specially the lower reaches of the Sungari and the Hurka in the north, and Liao and Yalu in the south, have fresh-water fish. Although fish products do not amount to significant figures as yet, the salt production to-day totals more than 900,000,000 pounds a year.

101 Forestry

It is said that until a few hundred years ago the regions dominated by the Khingan and Changpai mountain ranges and their spurs were thickly timbered, forming, as a Manchu Emperor expressed it, "Seas of Trees." The timber resources are richer in the Amur Province where are the Great and Little Khingan ranges, and in Kirin Province where is the northern part of the Changpai range, which is the watershed of the Sungari, the Hurka, and the Tumen Rivers. In Mukden Province there were once many rich forest areas, but these no longer exist, except on the mountain sides of the upper reaches of the Yalu River.

The Manchurian tribes in their pastoral stage, in order to protect their cattle and herds from the attacks of wild animals, destroyed the forests. The Chinese entered Manchuria mostly as farmers, who created arable lands by firing the forests. To-day most of the hills over the greater part of Mukden Province are bare, and farmers use the bush and stalks of kaoliang and Indian corn for heating purposes. With the railway penetration in Manchuria, the Russians became very active in lumber undertakings, especially for the supply of railway sleepers and fuel for the locomotives. Wanton spoliation of the forests thus continued in recent times to the serious denudation of the land.

When the Japanese arrived in South Manchuria, mountain and hill were practically bare, and they took the initiative in the work of afforestation in many areas in the Leased Territory and the Railway Zone. More than 143,000 acres were afforested in the Leased Territory up to 1929, the planted saplings aggregating over 80,000,000, while more than 36,462,000 saplings were distributed for afforestation purposes in the Railway Zone by the S. M. R.

But the sylvan wealth of Manchuria is still great, and the land possesses many valuable forests. They are mostly found in the mountainous north and east. These forest areas are estimated as follows:

Forest District	Area in Acres	Present estimate of Timber in Cubic Feet
The right bank of the Yalu and along the Hun River	2,403,889.1	3,623,326,800
Upper parts of the Sungari Valley	3,521,146.4	8,740,360,000
Tumen Valley	2,040,295.5	4,204,008,000
Hurka Valley	1,556,060.3	4,209,509,000
Lalin Valley	1,553,141.6	3,004,898,000
Along the C. E. R, Eastern Section	5,967,754.7	8,982,965,500

The Forest on the Upper Reaches of the Yalu River

Forest in Kirin Province along the Kirin-Tunhua Railway

Birch Forest in Khingan Mountains

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Sanhsing District	12,941,704.6	26,153,018,000
Great Khingan Range	34,308,680.0	56,000,000,000
Little Khingan Range	24,506,200.0	35,000,000,000
Total	88,798,872.2	149,918,085,300

102 Timber Species

From the standpoint of the dendrologist, certain forests of Manchuria belong to the northern part of the temperate zone. The principal, however, belong to the frigid zone, more or less similar to the Hokkaido forests, but with a few exceptions. Some three hundred species of trees are known in Manchuria. Of these, eight are needle-leaved trees, or conifers, and twenty-one broad-leaved varieties. Of the conifers, Korean pines are distributed most extensively through the east and northeast of Manchuria. They live longer than any other trees in the Manchurian forest; and often grow to several feet in diameter, reaching a height of more than a hundred feet. Next to the Korean pine, the species of larch, *Larix Dahurica*, grows straight and tall, challenging the supremacy of the Korean pine in many places. Fir and spruce are found in abundance. Among broad-leaf trees, there are several kinds of oak, the pointed oak, toothed oak, and bearing oak, the elm, birch, maple, walnut, lime, willow, acacia, and poplar. The foregoing are the principal denizens of the forest. Forests of birch are peculiar to North Manchuria, and they will be found intermingled with other forest growth. Birch forests are found along the Chinese Eastern Railway, and over the Khingan ranges. The principal timber in the Khingan ranges are the larch, birch, and red pine, besides the Siberian pine, and yellow and black alder.

103 Lumber Undertakings

Lumbering on a large scale in Manchuria was not undertaken until a little before the Russo-Japanese war, when a Russian corporation "for the purpose of exploiting the forests in the Yalu River basin" was organized in the spring of 1903 under the direction of M. Bezobrazov with the special sanction of the Czar. The activities of this concern on the Korean side of the river became one of the causes precipitating the outbreak of the Russo-Japanese war.

By the additional agreement attached to the Peking Treaty of December 22, 1905, the Chinese Government consented to the formation of a joint-stock forestry corporation financed by capital defrayed by the

Japanese and Chinese Governments, for the purpose of exploiting the Upper Yalu forests on the Chinese side. A sequel to this understanding was another agreement concluded on May 14, 1908, by which a company called the Tsaimu Kungssu was organized with a capital of 3,000,000 Mexican dollars. The term of the company's rights was to extend for twenty years, which period might be extended if agreeable to the Chinese Government. The company, maintaining its head office at Antung, came into existence in September of the same year, and engaged in felling, rafting, and trimming lumber.

Chinese officials exploited the forests about the eastern branch of the Upper Sungari, south of Kirin Prefecture and extending to the Changpai range. Japanese capitalists at first participated in this business. Quite a number of Japanese corporations, in the boom days following the great war, entered this field, occasionally in partnership with Chinese concerns at Kirin and Changchun. Most of them, however, met failure through politico-financial difficulties and occasional floods and other calamities.

Exploitation of the Khingan forests was first carried out in 1914 by a Russian concern, the Shefchenco Brothers. In 1921, it became a joint enterprise with Japanese, its capital being increased to $4,000,000 Mex. This Russo-Japanese concern was again extended in 1922, with Chinese, Japanese and Russian capital, under the name of Chamientsaimu Kungssu, the capital stock amounting to $6,000,000 Mex.

The following table in cubic feet shows the estimated lumber output in Manchuria, the export of Manchurian lumber, import of foreign lumber, and the amount of consumption in Manchuria, for the seven years ending 1929:

	Output and Import				
	Output	Import	Total	Export	Balance or Home Consumption
1923	47,713,140	9,354,640	57,067,780	29,315,100	27,752,680
1924	48,663,810	5,197,650	53,861,460	25,388,090	28,473,370
1925	49,984,410	7,359,440	57,343,850	20,618,620	36,725,220
1926	33,766,960	7,852,220	41,619,160	11,215,190	30,403,960
1927	37,855,160	4,713,780	42,568,940	11,639,190	30,929,750
1928	51,187,510	8,529,940	59,717,450	10,374,390	49,343,060
1929	38,684,400	8,316,320	47,000,720	7,701,750	39,298,970

104 Mining

Minerals in Manchuria, though limited in variety, are abundant. According to a survey of the Geological Institute of the South Manchuria Railway Company, "coal, iron, magnesite, fire clay, and talc

are most important in quantity of deposit; and second to these are gold, copper, lead, barytes, feldspar, and asbestos."

105 Coal

Coal is the most important mineral product in Manchuria. Deposits are roughly estimated at 1,700,000,000 tons. About 500,000,000 tons are in North Manchuria, and 1,200,000,000 tons in South Manchuria, the deposit at Fushun being estimated at 950,000,000 tons. The Fushun and Yentai mines are operated by the South Manchuria Railway Company, and the gross annual output of both areas is now 7,000,000 tons. Fushun coal, belonging to the tertiary period, is bituminous, containing much volatile matter, and is best fitted for the production of gas. Penhsihu coal mine is located on the Antung-Mukden line of the South Manchuria Railway Company, about forty-seven miles east of Mukden. This is operated side by side with iron mining by a Sino-Japanese undertaking with the capital of 7,000,000 Chinese dollars. Its annual output is in the neighbourhood of 400,000 tons, of a quality suitable for coke for the ironworks. Coal-fields at Pataokou and Pepiao, along the Takushan-Paiyintala Railway, are worked by the Mukden Government, each mine producing about 7–80,000 tons a year.

Regarding deposits in North Manchuria, there are several mines along the Chinese Eastern Railway. Dalainor, Muling, and Holikwang, are important. The Dalainor coal-field is to the northwest of Dalainor station between Manchuli and Hailar stations on the Chinese Eastern Railway. This has been operated by Russians since 1903 under contract with the Chinese Eastern Railway, which owns it. The mine formerly produced 468,000 tons a year, but to-day the output is 200,000 tons. About 80 per cent. is taken by the Railway for its own use, the balance being supplied to the markets along the line. Muling coal-field is located in the eastern section of the Chinese Eastern Railway. It was recently improved with railway connection, and to-day produces at the rate of about 200,000 tons a year. Both the Dalainor and Muling mines supply their product chiefly to the Chinese Eastern Railway. Holikwang coal field located 500 kilometres north of Harbin, produces 12,000 to 15,000 tons a year. This coal is possibly the best and the only coal which can be coked in North Manchuria, where most of the deposits are of inferior bituminous grade. Owing to the Sino-Soviet dispute of 1929, the operation of these mines along C. E. R. line was suspended for more than six months.

106 Iron Mines

Iron ore in Manchuria is mostly found in Mukden province, where the total deposit is estimated at over 400,000,000 tons. Iron in Manchuria commonly exists in ferruginous rock. The ores are generally hematite, and the proportion of iron they contain is 68–70 per cent. in the richer ore, while the poorer runs to 34–40 per cent. The iron mine is not new, and was worked by natives on a very small scale, wood being used as fuel. But two mines to-day stand out prominently, Penhsihu and Anshan. The former produces about 50,000 tons of pig-iron a year and the latter 200,000 tons. The modern industry at Anshan is treated in the chapter headed the South Manchuria Railway Company.

The iron mine at Penhsihu was worked by the Chinese in a primitive way as early as 1833, and the Russians planned operations just before the outbreak of the Russo-Japanese war. After the war the late Baron Okura took control, and the Okura firm is now working it in co-operation with Chinese interests. The mine is operated side by side with the coal mine.

107 Gold

Gold was possibly the only metal extensively mined before the entry of foreigners and foreign capital into the Manchurian mining field. As Manchurian gold is principally alluvial, it can be recovered with little effort and capital. This mineral was very abundant in North Manchuria, especially in Amur Province, which has been known among Chinese under the name of the "Gold-Producing Land" for centuries. Especially are rich deposits found in the far north, along the reaches of the Amur and the Sungari. In Kirin Province extensive alluvial gold deposits are still found along the tributaries of the Yalu River and the upper reaches of the Sungari. Gold deposits in the North Manchurian area are estimated by one authority, Mr. Arnold, to aggregate as much as 5,500,000 kin. In Mukden Province there are few beds which justify working on a large scale. On the whole, it may safely be said that gold no longer exists in any significant amount in South Manchuria. Most of the important gold mines were government enterprises, but concessions were often granted to Chinese private individuals. During the Russian *régime*, a number of concessions were given to Russians in Amur and Kirin Provinces. A gold mine concession in Amur Prefecture, Mukden Province, was given in 1911 to an American, British, and Chinese joint undertaking, but as the result of investigation made

by the experts of this syndicate, it was decided to abandon the concession. By the exchange of Notes of May 25, 1915, the Peking Government gave the Japanese a gold mining concession at Huatien, Kirin Province. For the development of gold mining and forestry in Amur and Kirin Provinces, a loan of 30,000,000 yen was furnished to the Chinese Government in August, 1918, by a Japanese banking syndicate on the security of mining and forestry property, but actual work was never started. It is a matter of regret that it is impossible to give figures of gold production in Manchuria owing to the entire absence of reliable statistics.

108 Fisheries

Although the coast line of Manchuria from the mouth of the Yalu on the east to Shanhaikwan extends 976 miles, and faces the Gulf of Pechihli and the Yellow Sea, a fishing industry had not developed until the Japanese came to South Manchuria. On the sea near Hsiungyaocheng, 110 miles from Dairen, several hundred Chinese fishing junks used to swarm after the " yellow-flower fish " in May, each year. Their catch for a season of 31 days was said to have amounted to more than 5,000,000 pounds, valued at 300,000 yen. During the Russo-Japanese war a number of Japanese fishermen worked the coast of Dairen and Port Arthur in order to supply the Army. Since the Japanese administration was started in Kwantung, the industry gradually developed, specially with the introduction of improved appliances. To-day, men engaged in the fisheries in the Leased Territory number 29,910 Chinese and 141 Japanese (figures for 1929), and the annual catch was valued at 4,682,000 yen, of which 2,923,000 yen was the Chinese share. Figures relating to the industry outside the Leased Territory can not be obtained. As shown in the Customs returns, Manchuria exports marine products, except salt, to a negligible amount, i. e. 765,000 Hk. Tls., but imports more than 3,750,000 Tls. in value chiefly from Japan and Korea. As to fresh-water fisheries, numbers of natives work all the large rivers, notably the Liao and Yalu in South Manchuria, and the lower reaches of Sungari and its tributary the Hurka in North Manchuria. The annual catch in North Manchuria is estimated at as much as 1,100,000 lbs.

109 Salt Manufacture

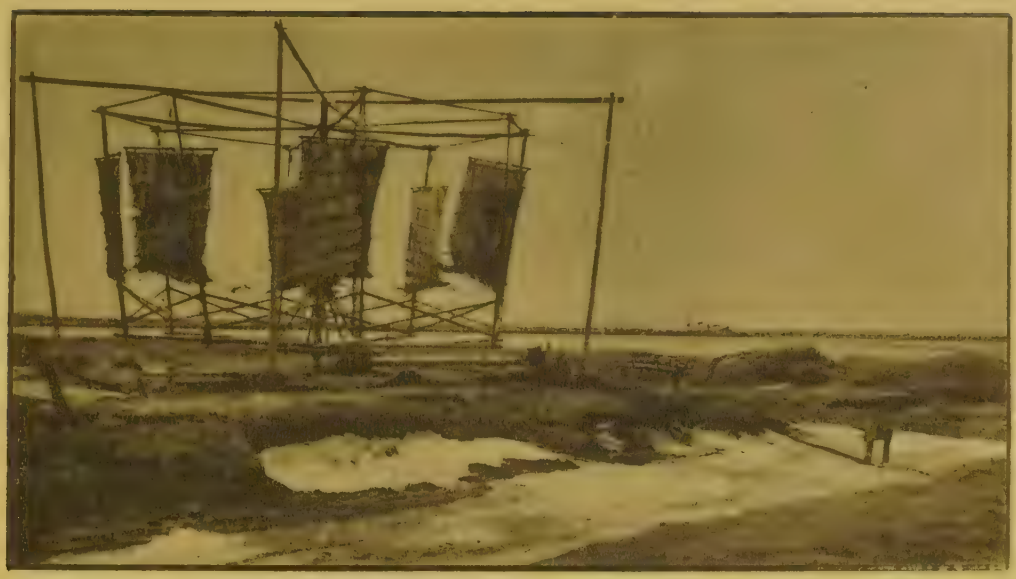
The manufacture of salt is one of the important industries in South Manchuria.

All along the coast of Mukden Province, districts around Newchwang, Kaiping, Fuhsien, and the Japanese Leased Territory of Kwantung are noted for the industry. The old method of salt manufacture was by boiling. It is said the method of solar evaporation was first introduced into China by a Roman Catholic priest in the early part of the 18th century. Along the coast of the peninsula of Mukden Province, commonly called Liaotung Peninsula, washed by the Gulf of Pechihli and the Yellow Sea, where the sea-water is much brinier, the rainfall is small and the dry wind from Mongolia makes evaporation speedy, the product here being particularly fit for manufacture by the evaporation method. Manufacture outside the Leased Territory has been conducted by the Chinese Government and individuals for many years. The total area used as brine pans was estimated at about 14,000 acres, and the annual production from 250,000,000 to 400,000,000 pounds. Salt being a sort of monopoly of the Chinese Government, it is forbidden to import into Manchuria and to export outside, except to Mongolia and Jehol Province.

Salt manufacture in the Leased Territory was at one time very extensively conducted. But maladministration and warfare caused the industry to wane, and at the time of the Russo-Japanese war most of the salt fields were waste. Under the Japanese *régime* this industry has made remarkable development, as the annual production was increased to 414,840,600 kin, or 552,787,466 pounds, in the fiscal year ending March, 1929, from 45,971,400 kin in the fiscal year 1907, i. e. about ten times during twenty-three years. The following table shows the salt production in the Leased Territory:

Year	Manufactured by Japanese	Manufactured by Chinese	Total
	Kin	Kin	Kin
1919	150,740,280	112,177,860	262,918,140
1920	171,614,400	137,015,460	308,629,860
1921	123,218,580	107,359,900	231,078,480
1922	181,279,740	142,609,620	323,889,360
1923	140,657,520	107,556,816	248,214,326
1924	250,100,880	172,499,700	422,600,580
1925	256,514,700	159,922,620	416,437,320
1926	317,040,860	181,520,860	498,561,720
1927	264,315,300	127,773,600	392,088,900
1928	275,065,794	139,417,800	414,483,594
1929	276,127,680	138,712,920	414,840,600

The greater percentage of this product is exported to Korea and Japan.



Windmill at Salt Field in Kwantung Peninsula

Salt Field provided for Natural Evaporation Process

Transporting Crude Salt Products for Refining

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IX MANUFACTURING INDUSTRY

110 Industrial Development

Before the building of railways by Russians and Japanese, the Chinese in Manchuria were engaged almost entirely in agricultural pursuits, or primitive manufacturing industries of which agriculture was the basis. They pressed oil from the soya bean for food and light, distilled alcoholic drinks from kaoliang, ground flour, made coarse silk from the wild cocoon, and produced other necessities of life as a by-product of farming. In those days Mongolian horses, mules, and donkeys were the power utilized for manufacturing these staples.

The Russians first introduced to North Manchuria modern manufacturing methods in flour-milling, sugar-refining, the dressing of lumber, etc. Similarly, it was the Japanese who opened up South Manchuria industrially with their capital and skill. The Chinese, always alert to their own interest, were gradually stimulated by the rise of new industries in the foreign concessions, and their industry made a certain degree of improvement. The industrial development in Manchuria, specially in the Japanese Railway Zones and Leased Territory, being fostered by the South Manchuria Railway Company and the Kwantung Government through the Central Laboratory, the Geological Institute, Agriculture Experimental Stations, Model Farms, Research Offices, and similar institutions, the growth of manufacturing industries was significant, particularly during the latter part of the European war. But the general depression after the war seriously, though temporarily, affected all industries in Manchuria, particularly those established during the war. The depressed industries were gradually on the road to recovery, but the world-wide depression brought another setback, the radical fall of silver in 1930 being especially prejudicial to all trade.

The following table taken from the statistical returns of the Kwantung Government will give some idea of the industrial progress made during the twenty years ending 1929 within Japanese jurisdiction in Manchuria, including the Railway Zone and Consular Districts:

Year	No. of Factories	No. of Workers by Day	Capital Investment	Value of Products
1909	152	—	16,132,101	6,138,792
1914	244	—	24,536,830	20,799,196
1919	450	—	123,571,509	242,882,798

1923	633	8,550,045	200,827,607	136,261,877
1924	658	10,155,288	192,936,596	139,900,726
1925	673	10,805,857	283,546,878	158,765,427
1926	685	13,000,903	301,679,138	174,068,554
1927	750	12,937,316	292,002,302	140,378,528
1928	748	11,969,081	304,250,719	144,994,790
1929	789	13,571,319	302,080,061	126,915,076

So far as the manufacturing industry in North Manchuria is concerned, regarding which accurate data are not available, it is reported that there are about six hundred factories and mills, of which 147 are bean-oil mills, 62 liquor distilleries, and 52 flour mills.

Dairen is the largest manufacturing centre in South Manchuria, while Harbin is the chief centre in North Manchuria. The former is particularly the centre of bean-oil mills and the latter of flour mills. While the industrial activity of Chinese replaced Russian activity in Harbin after the European war, the Chinese themselves in recent years have established a number of manufacturing plants and mills in Mukden, which is thus becoming an industrial city.

Manchuria as yet furnishes mostly raw materials or semi-manufactured products for further use in manufacture by more advanced countries. As a manufacturing country, however, it possesses certain advantages. It has natural resources in abundance in the form of agricultural and mineral products, besides live-stock and other staple products; fuel in the form of coal; and excellent labour in the sturdy coolie type. Furthermore, with its increasing population, and with China proper and Siberia in the South and North, it has markets easily accessible on all sides. Still it is far from being an industrial country in the modern sense, possessing organization, enterprising spirit, technical skill, and backed by ample capital.

111 Chinese Labour

Chinese labour is one of the important factors in the industrial life of Manchuria. Ordinary labourers, especially in agriculture, mining, and fishery, are almost all Chinese. Even in the Japanese Railway Zone, the Leased Territory and Consular Districts, where Japanese are in a more favourable condition, more than 93 per cent. of farming labour, more than 70 per cent. of fishermen, 96 per cent. of miners, and 88 per cent. of factory labourers were Chinese, as calculated at the end of 1929. The following table shows number of Chinese and Japanese workers employed by manufacturing plants or mills in the Japanese Leased Territory, Railway Zone and Consular Districts:

Chinese Labour at Fushun Colliery

Chinese Coolie Labour at Dairen Wharves

Chinese Factory Labour in the Weaving Mills at Antung

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Manufacturing Plants and Mills	No. of Factories	No. of Japanese Day Labourers	No. of Chinese Day Labourers	Total
Spinning & Weaving	65	135,004	2,530,986	2,665,990
Metal Works	79	367,505	1,964,374	2,331,879
Machinery & Furniture	72	418,155	1,626,727	2,044,882
Bean Oil & Other Chemical Works.	206	201,880	2,868,745	3,070,625
Food & Drink	177	87,555	1,317,572	1,405,127
Miscellaneous	164	231,451	1,286,310	1,517,761
Special Industries	26	109,967	425,088	535,055
Total 1929	**789**	**1,551,517**	**12,019,802**	**13,571,319**
1928	748	1,455,751	10,513,330	11,969,081
1927	717	1,507,070	10,486,723	11,993,793
1926	655	1,779,349	9,550,201	11,329,550
1925	653	1,419,299	8,897,912	10,317,211
1924	634	1,376,697	8,302,850	9,679,547

Of the number of manual workers above-mentioned the Japanese show a tendency to remain stationary, if not decrease, in contrast to the steady increase of the Chinese. As a matter of fact, most of the Japanese workers are skilled craftsmen or foremen. Even the ordinary Japanese labourer, however, though his efficiency may be 30–40 per cent. higher than the Chinese, is not able to compete with the Chinese owing to difference in standard of living, which is much more expensive for the Japanese.

Regarding wages, in the skilled trades, such as carpenter, mason, bricklayer, or printer, wages are higher than those of factory labourers. The following table shows the wages of Japanese and Chinese tradesmen :

December, 1929

Trade	Nationality	Wages at Dairen	Wages at Mukden	Wages at Changchun
		¥	¥	¥
Carpenter	Japanese	4.00	3.35	3.75
	Chinese	1.40	1.20	1.05
Mason	Japanese	4.50	—	5.00
	Chinese	1.80	—	1.35
Joiner	Japanese	3.75	3.35	3.50
	Chinese	1.40	1.30	1.05
Painter	Japanese	3.30	3.00	3.50
	Chinese	1.30	1.00	1.25
Printer	Japanese	3.00	2.50	2.50
	Chinese	1.40	1.05	1.08
Iron Worker	Japanese	3.50	3.55	3.50
	Chinese	1.90	1.40	1.25
Shoemaker	Japanese	—	2.10	3.00
	Chinese	1.60	1.10	1.50
Tailor	Japanese	3.50	3.05	3.00
	Chinese	3.00	1.20	1.50

Sawyer	Chinese	1.40	1.10	1.50
Rikisha-puller	Chinese	1.00–1.50	1.30–1.70	1.00–1.80
Coolie	Chinese	0.55	0.50	0.55

Chinese labour, owing to the lower standard of living, lesser efficiency and ample supply, receives less in wages than Japanese. But Chinese workers in the Japanese factories in Manchuria are paid much better wages, as much as from one and a half to three times, than workers employed in Chinese factories or mills, as shown in the table below:

	Wages of Chinese in Japanese Factories			Wages of Chinese in Chinese Factories		
	Max.	Min.	Average	Max.	Min.	Average
Spinning Mills.....	1.85	0.34	0.57	0.58	0.25	0.46
Dyeing & Weaving.....	0.89	0.20	0.41	0.50	0.19	0.29
Metal Works	2.85	0.25	0.88	1.60	0.08	0.31
Pottery Kilns	1.84	0.28	0.66	0.24	0.17	0.19
Bean Oil Mills.....	1.50	0.45	0.74	2.02	0.07	0.31
Match Factories	0.82	0.26	0.39	0.50	1.12	0.30
Paper Mills	1.90	0.25	0.56	0.70	0.20	0.47
Rice Cleaning Mills ...	0.80	0.45	0.54	0.67	0.16	0.49
Breweries	0.82	0.46	0.57	0.47	0.22	0.31
Printing-shops	2.58	0.30	0.76	1.50	0.07	0.27
Railwaymen.....	1.96	0.33	0.63	1.15	0.29	0.41
Tramwaymen	1.04	0.32	0.57	0.97	0.14	0.47

Regarding working hours, Chinese employed in Japanese factories in Manchuria work the same number of hours as Japanese employees. But hours in Chinese factories or mills are much longer than in Japanese factories. The following table shows a comparison of the working hours of Chinese in Japanese factories and in Chinese mills:

July, 1928.

Factories	Chinese Daily Hours in Japanese Factories	Chinese Daily Hours in Chinese Factories
Weaving & Dyeing	10.53	13.40
Metal Works	9.35	10.45
Bean Oil & Other Chemical Works.....	10.27	10.48
Food and Drink Factories	9.48	11.40
Miscellaneous Factories	10.10	13.00
Special Factories	9.00	—
Average	9.58	11.28

It will be seen that the daily average of working hours in the Japanese factories is nine hours and fifty-five minutes, as against eleven hours and twenty-eight minutes in Chinese factories.

Chinese in Japanese factories enjoy not only better wages and shorter working hours, but benefit by welfare organizations such as accident and sick relief, compensation for dependents bereaved by accident, regular allowances beside wages, better sanitation, recreation, and other benefits.

112 Bean Oil Mills

Bean milling is one of oldest manufacturing industries in Manchuria, and still to-day ranks foremost. There were about 465 mills in 1929, and their aggregate product, bean-oil and cake, amounted to over 2,200,000 tons, including 200,000 tons of oil.

The oil mills, called "yufang" by the Chinese, originated several hundred years ago in South China, and were introduced to Manchuria in the middle of the nineteenth century, when hemp-seed oil mills at Tiehling and Changchun, then the centre of bean production, commenced bean-oil extraction by adopting the hemp-seed oiling process. The crude bean oil, made by primitive processes, was extensively used for cooking and lighting purposes, while the beancake, the residue of the bean after the oil has been squeezed out, was used as cattle-feed and very little as fertilizer. After the port of Newchwang was opened, Manchurian beancake was sent to South China, where it was extensively utilized as fertilizer for the sugar-cane plantations. As before stated, Manchurian beancake after the Sino-Japanese war, found a growing market in Japan. In those days, a number of small mills was established at Liaoyang, Mukden, Tiehling, and Newchwang, the last being the chief market for this product. An Englishman first introduced a steam plant into this industry, installing it at Newchwang in 1896.

After the Russo-Japanese war, bean-oil mills were established by Chinese at Dairen, and several large modern factories were set up by the Japanese. A more efficient scientific method was developed by the Central Laboratory of the South Manchuria Railway Company — the chemical extraction by benzine or benzol — but to date the Honen Bean Mill is the only factory operated on this system. By the improved method practically all the oil in the bean, or more than 14 per cent., can be extracted, while only 10–12 per cent. can be obtained by the expressing system. Old native mills still squeeze out the oil by the wedge process with animal or human power. The screw process, though originated by Chinese, has been improved and fitted for large scale production, steam or electric power being used. Still another process utilizes hydraulic pressure. The Nisshin Oil Mills (Japanese),

Dairen, and other Japanese mills, and the Kabalkin Mill (Russian), Harbin, have adopted the hydraulic pressure system.

Among the bean mills in Manchuria, Dairen and Harbin have plants equipped with a comparatively advanced type of machinery, the others being mostly old fashioned.

113 Alcoholic Liquor

The distilling of the native kaoliang spirit is reckoned one of the important manufactures. The industry is said to date back to the close of the 17th century, when the more civilized life of South China made its entrance into Manchuria.

Mukden and Liaoyang were the centres of the distilling industry. The more the population increased, the less profitable became the industry, since a limit was placed by the authorities on the quantity of kaoliang spirit, the object being to preserve the cereal as foodstuff. The industry was then driven to the North, where kaoliang could be obtained more cheaply, and it is now very active in Kirin Province.

The annual production in Manchuria is estimated in value at over 2,500,000 yen, of which spirit to the value of 1,000,000 yen is exported to China proper. While the Russians maintain several vodka distilleries and beer breweries in North Manchuria, specially in Harbin, several saké breweries have been established by Japanese in South Manchuria.

As to Japanese saké manufacture, the total output for 1928 was 3,326 koku (159,648 American gallons) valued at 227,850 yen. In the same year, saké imported from Japan and Korea was valued at 417,000 Hk. Tls.

114 Flour Mills

Wheat flour being the important food of the natives next to kaoliang, flour mills, called "mofung," or grinding houses, are found everywhere in Manchuria. These mills, employing coolie and donkey labour, work on a small scale, but none the less are only next in importance to the bean-oil and distilling industries. Modern flour mills are called "huomo" or fire-mills by the Chinese, as they are provided with machinery and use steam and electricity for motive power. Three modern mills were first established in Harbin by the Russians in 1902, chiefly to supply Russian settlers and soldiers in Manchuria and East Siberia. Modern mills in South Manchuria were first started by Japanese soon after the Russo-Japanese war, but the chief customers were the

Chinese. Stimulated by the Russian and Japanese activities in milling, the Chinese gradually entered the industry, especially in Harbin and Changchun. Russian mills formerly suffered from the competition of the mills in South Manchuria, but the world-wide shortage of foodstuffs during the European war more than enabled them to recover their former prosperity. This favourable condition, however, did not last long, and the industry was unable to resist the American and Canadian product, which found a market in Manchuria after the European war. In 1929, Manchuria imported flour amounting to about 4,500,000 piculs valued at 23,462,000 taels.

115 Beet Sugar

The climatic conditions and soil in Manchuria are suitable to the sugar-beet plantation. The Mukden Government, when General Chao Erh-sun was Governor, established in 1906 an experimental farm outside Mukden, in which a beet plantation was tested. Encouraged by the satisfactory results, the Governor conceived the idea of establishing a large Sino-Japanese concern for the manufacture of beet-sugar, to which project Mr. Chozo Koike, then Japanese Consul-General at Mukden, gave support, but the scheme was not consummated owing to the opposition of an anti-Japanese party. Meanwhile, a factory was established in 1909 by Poles at Ashiho, near Harbin, with a capital of 1,000,000 roubles. Two refining machines were installed, which at one time produced several million pounds of refined sugar annually. A Chinese factory was established in 1910 at Hulan, also near Harbin, with a capital of 3,000,000 Chinese dollars, largely through Government aid. During the world-wide shortage of sugar owing to the European war, a large factory organized by Japanese capitalists, including Baron (now Viscount) Shibusawa and Mr. Magoshi, with a capital of 10,000,000 yen, was established at Mukden in 1916. Beet was to be cultivated over an area of 6,000 acres, from which some 13,000,000 pounds of crude sugar was expected annually. This company enjoyed fair profits for the first few years, but owing to the world-wide depression after the late war, it incurred loss, and finally in 1927 suspended operations, as did other factories in Manchuria. Foreign-made sugar imported into Manchuria is on the increase. Imports were valued at over 9,994,000 taels in 1929, the quantity being 1,450,000 piculs.

116 Tobacco

As before stated, tobacco is one of the staple products of Manchuria. The annual production of leaf to-day is estimated at over 42,000,000 kin (56,000,000 lbs.), distributed as follows:— 10,000,000 kin (13,000,000 lbs.) in Mukden Province, 24,000,000 kin (32,000,000 lbs.) in Kirin Province, and 8,000,000 kin (10,666,666 lbs.) in Amur Province. The better leaf is raised around the City of Kirin, but most Manchurian leaf is hardly suitable for cigarette making without first being blended with foreign leaf. Cigarette manufacture was introduced by Russians at Harbin, where two firms, Robert and Chiulin, had factories in the days before the Russo-Japanese war. Soon after the war, the British-American Tobacco Company, having factories in Shanghai and Tientsin, penetrated Manchuria with their products. In December, 1906, the To-a Tobacco Joint Stock Company, organized by Japanese with a capital of 1,000,000 yen (later increased to 10,000,000 yen) established a factory at Newchwang. The British-American Tobacco Company established a factory in Mukden in 1919 and two years later a factory at Harbin. Another Japanese tobacco company, called the Asia Tobacco Corporation, also established a factory at Mukden in 1921, which was later on amalgamated with the above-mentioned To-a Tobacco Company. In 1922, a Chinese tobacco factory was established at Mukden, with capital chiefly furnished by Chinese officials, bearing the name of the Three Eastern Provinces Tobacco Company, which, however, went out of existence in 1924. In the same year another Chinese factory, called the Huahuayen Kungssu, was established outside the city of Mukden. Thus Mukden has become a centre of tobacco manufacture. The aggregate sales of cigarettes per year in Manchuria are estimated at over 7,600,000,000 pieces, the greater percentage of which are said to be products of the British-American Tobacco Company.

It should be noted that Manchuria exported, in 1929, tobacco leaf and cigarettes to the value of 1,980,000 taels, and imported leaf, cigarettes and cigars, to the value of 17,000,000 taels.

117 Fabric Industry

Coarse spinning and weaving of wild silk, cotton, and hemp was an old cottage industry. The modern fabric industry was first introduced in 1919 by a Japanese at Antung, where a wild silk spinning and weaving factory was established. This became later a branch of the

Fuji Cotton Spinning Company, of Japan. About a hundred wild silk filatures are operated by Chinese on a small scale on the Antung-Mukden line and the main line south of Mukden; Antung, Hsiuyen, Huangfengcheng, Kaiping, Haicheng, and Liaoyang being centres of this industry. The total output per year is estimated at 92,760,000 kin (124,050,000 lbs.), valued at 46,540,000 yen, as shown in the following table:

Manufacturing Districts	Annual Output in Kin	Value in Yen
Antung	12,700,000	6,330,000
Hsiuyen	13,800,000	6,900,000
Kuanhsun	10,300,000	5,230,000
Huangfengcheng	7,310,000	3,755,000
Penhsihu	6,800,000	3,400,000
Kaiping	15,500,000	750,000
Haicheng	9,710,000	4,855,000
Liaoyang	8,750,000	4,375,000
Fuchou	7,480,000	3,740,000
Kwantung Leased Territory	410,000	205,000
Total	92,760,000	46,540,000

Regarding the hemp industry, there are two factories. One is the Manchuria Hemp Manufacturing Company at Dairen, the other the Mukden Hemp Manufacturing Company at Mukden. Their main products are bags for packing soya beans, kaoliang, etc., and the annual output is about 4,000,000 bags. This, however, is only one-fifth of the total consumption, the import of gunny bags numbering annually 20,000,000.

As to the cotton industry, a modern spinning mill was put up in 1921 by Chinese at Mukden, with 10,480 spindles, later increased to 25,000 spindles. Subsequently, three cotton mills were established in South Manchuria by Japanese — the Manchuria Cotton Spinning Company (31,360 spindles), at Liaoyang in 1923, a branch mill of the Naikai Cotton Company, of Osaka (24,000 spindles), at Chinchou in 1924, and a branch mill of the Fukushima Cotton Spinning Company, also of Osaka (17,664 spindles), in a suburb of Dairen in 1925. There are more than 170 cotton mills on small scale in Manchuria, chiefly run by the Chinese. The total output of cotton goods and yarn per year is valued at 8,000,000 taels, but this is less than one-tenth of the total imports.

In Manchuria and Mongolia, there are abundant supplies of wool and camel hair — practically all being exported through Tientsin. Export of wool from this port in 1924 amounted to 437,486 piculs, valued at 14,457,840 taels, and camel hair 37,821 piculs, valued at

1,801,944 taels. No woolen industry existed until the Manchuria-Mongolia Wool-Weaving Company was organized in December, 1918, at Mukden, with a capital of 10,000,000 yen — a Sino-Japanese joint undertaking.

This mill unfortunately was damaged by fire in June, 1924. Its capital was reduced to 3,000,000 yen, and its activities a great deal checked. During 1927, however, 134,993 yards of woolen cloth, 16,784 blankets, 114,090,500 lbs. weight of carpets, and 17,000 lbs. of woolen yarn were produced. In the following year production was much decreased. It is of interest to note that Manchuria imported foreign woolen goods and wool and cotton mixed goods to the value of 16,600,000 taels in 1929.

118 Ceramic Industry

Activities in civil engineering and building construction, with the development of railway construction and other undertakings in Manchuria after the Russo-Japanese war, stimulated an ever-increasing demand for cement, brick, glass, and other such commodities. The abundant presence of limestone and clay, material necessary for cement manufacture, induced the Onoda Cement Company, of Japan, to establish a branch factory in Choushuitzu, a suburb of Dairen, in July, 1911. The output was 149,000 casks in 1910, and this increased to over 1,500,000 casks in 1929. The Dairen Dolomite Cement Factory manufactures the better quality of cement, similar to the Portland brand. There are several factories manufacturing lime in Penhsihu, Dairen, and Chinchou, the annual production amounting to over 100,000 tons.

In brick-making the Chinese make gray brick of unchangeable design. The modern brick kiln was introduced by Japanese, and a number of kilns were established during the war-time boom at Dairen, Antung, Mukden, Fushun, Newchwang, etc. Although the activity in this trade was checked by the post-war depression, as in other industries, there are more than 46 factories, including small concerns, and the output is valued at over 1,000,000 yen.

Silicious stone and limestone suitable for the manufacture of glass are abundant in South Manchuria. The Central Laboratory of Dairen has conducted elaborate tests in ceramic manufacture, establishing a special plant for the purpose. Tests proving satisfactory, the plant was handed over in 1918 to the newly-established Dairen Ceramic Factory, which manufactures soda glass, crystal and plate glass. Another factory

manufacturing window glass was established in 1925 with a capital of 3,000,000 yen, as a joint undertaking of the Asahi Glass Company, of Japan, and the S. M. R., which uses the Lubbers cylinder process. The factory has a capacity of about 330,000 cases of sheet glass a year.

X CURRENCY AND CREDIT

119 Chinese Currency

There are many kinds of currency circulating in China proper, and Manchuria is not exempt from the evil created by the absence of a uniform system.

The central administration was never strong enough to establish a stable currency. The Central Government, the provincial governments, and private guilds or persons have each constituted themselves an issuing authority. All issues have circulated indiscriminately side by side, with no fixed rate of exchange. In addition, foreign currencies have prevailed at all the open ports. Moreover, some of the issues are on a copper basis, some on a silver basis, and others again on a gold basis. More recently, the indiscriminate issue of inconvertible bank-notes under the authority of military leaders (tuchun) has but added to the currency confusion. In Mukden Province alone, the circulation of such paper as that popularly called the Mukden note, in the vernacular, Fengpiao, was estimated in December, 1929, to reach the enormous total of 3,000,000,000 Chinese dollars. Its rate, at that date was 6,000 against a hundred silver dollars. The rate fell to 11,800 in December, 1930, so that a ten-dollar Mukden bill valued at less than ten cents in silver is hardly appreciated as a tip by the "boy" on the Chinese railways.

That the Chinese currency "system" is the most complicated in existence needs no emphasis. Many attempts at reform have been made — the first in 1890, when an effort was made to place the coinage on a Western basis. But such schemes in the past simply resulted in additional issues of new currency, since no effective steps were taken to withdraw the old ones. Such a chronic state of monetary confusion is not only prejudicial to the economic welfare of the Chinese themselves but inimical to the interests of all peoples trading with China. Great Britain took the initiative by suggesting the creation of a proper coinage system in the Anglo-Chinese Agreement of 1902, and similar proposals were made by Japan, the United States, and other countries in their commercial treaties with China. Several plans for a gold standard were accepted by the Chinese Government to make these promises good, but so far without success. Among these, the adoption of the gold standard was proposed in 1903 by Sir Robert Hart, Inspector-General of the

Imperial Maritime Customs, and by Professor Jeremiah Jenks, of Cornell University, in 1905; by Dr. G. Vissering in 1911, and by Tsao Ju-lin, Minister of Finance in 1918, but none of these proposals was acted upon. Dr. Vissering's plan was to have been carried out if China could secure from American, British, French and German banking groups the so-called Currency Loan amounting to £10,000,000, 70 per cent. of which was to be used for currency reform, and the remaining 30 per cent. for development in Manchuria. This loan never materialized, nor was the plan for currency reform acted upon. Tsao Ju-lin's scheme was announced in August, 1918, when the Government issued what is known as the Gold Note Regulations.

Japan was to furnish a loan for currency regulation purposes to China. The proceeds of the loan were to be deposited in the Government banks in China and Japan, and gold-currency notes were to be issued against this reserve, to be used as official Government currency within China.

This scheme aroused the bitter opposition of certain Chinese, and was finally dropped.

An attempt to effect currency reform on a silver basis was made in 1910. But the first Revolution took place in the following year, and the reform measure could not be carried into effect, except for the issue of new coins, the unified "Dragon Dollar," which were soon drawn into the whirlpool of the older currencies and disappeared. Upon the establishment of the Republic, Yuan Shih-kai, the first President of the new *régime*, caused the creation of a monetary commission with a view to investigating the system which might be adopted to best advantage. The decision was made to adopt a measure of reform on a silver basis, and new National Currency Regulations were promulgated on February 7, 1914. The Regulations vested the Government with the "right of minting and issuance of national currency." The unit of the national coin called the yuan (元) was to contain 6 chien, 4 fen, 8 li (Kuping weight) or 24.17 grammes of pure silver. The circulation of the money was to be based on the decimal system, one-tenth of one yuan being called one chiao (角), and one-hundredth one fen (分). The regulations also provided for exchange of older coins, mintage allowance, etc. China expected to carry out this currency reform measure by securing funds through foreign loans, but she was cut off from these sources as the great European war broke out in August the same year. The currency regulations in consequence have ever since remained pigeon-holed, except that the new coin, bearing Yuan Shih-kai's effigy, often called the Yuan Shih-kai dollar, was minted and issued, but could not serve for exchange with older coins, as did its predecessor. The new Government at Nanking in 1927 issued an order to the provincial mints at Hangchow

and Nanking to cease coining the Yuan Shih-kai dollar and to mint instead a dollar coin bearing the effigy of Sun Yat-sen. It is reported that about 150,000,000 Sun Yat-sen dollars were coined during 1927 and 1928. In short, all reform measures in the past resulted rather in complicating the currency by adding new issues to the old.

120 Kemmerer Reform Commission

In 1929, there was another attempt at currency reform.

The National Government at Nanking entered into an arrangement with a group of financial experts headed by an American citizen, Dr. E. W. Kemmerer. The commission worked at Nanking for about a year, and presented the result of its investigations on November 11, 1929, in a memorandum entitled "Project of Law for the Gradual Introduction of a Gold-Standard Currency System in China, together with a Report in support thereof." This draft measure consisted of forty articles, and proposed a new gold currency unit, for which the name "Sun" (孫) was suggested, to contain 60.1866 centigrammes of pure gold. It was to have a value equivalent to 40 cents United States currency, 1s.7.7265d. sterling, or 0.8025 in gold yen. The sun was divided into 100 fen (分), and the fen into 10 li (釐). The plan further provided for silver coins of one sun, 50 fun, and 10 fen; nickel coins of 10 fen and 5 fen; and copper coins of one fen, $\frac{1}{2}$ fen, and $\frac{1}{5}$ fen. The smallest denomination was not to be minted unless the Minister of Finance deemed it necessary.

The plan did not provide for the coinage or circulation of gold; nor for a gold reserve, or fund for redemption. It provided a means, however, whereby the fiduciary issues could be redeemed by drafts payable in gold through process of exchange in foreign trade.

121 Currency in Manchuria

The situation in Manchuria presents no exception to the general disorder characteristic of the currency as existing in China proper.

Each province has currency peculiar to it, or attaches a different value to the same currency. No port or city in the same province has a currency exactly the same as its neighbour — Antung, Mukden, Newchwang, and Dairen, each has a different currency. Harbin, Kirin, and Changchun, in Kirin Province, have different currencies respectively. The money circulating to-day in Manchuria is shown in the following table:

- Native Currency
  - Coins
    - Copper Cash (Chihchien 制錢), Copper coin (Tungyuan 銅元)
    - Silver coin (Yangchien 洋錢), Sycee (Yinting 銀錠)
  - Notes
    - Government copper cash notes (Kuantieh 官帖)
    - Copper coin notes (Tungyuanpiao 銅元票)
    - Silver coin notes (Yangchienpiao 洋錢票)
    - Mukden notes (Fengtienpiao 奉天票)
  - Book currency
    - Kuping tael
    - Haikwan tael
    - Transfer tael
- Foreign Currency
  - Coins
    - Japanese silver yen, Mexican dollar
    - Japanese subsidiary coins
  - Notes
    - Bank of Japan gold notes
    - Bank of Chosen gold notes
    - Yokohama Specie Bank silver notes

Of the native currencies in Manchuria, the hard money, particularly subsidiary or smaller silver coin of less fineness than the standard silver was issued in immense quantities for nearly ten years up to 1916. Since the latter year, when the price of silver rose owing to the European war, the issue of the smaller silver coins was decreased, and the note issue, nominally based on the silver coins, came into prominence. Although measures for removing the financial disturbance in Manchuria caused by chaotic currencies were introduced in 1917 with the co-operation of the Japanese Chamber of Commerce at Mukden, nothing could be carried into effect. Meanwhile, one civil war after another took place between North and South, and the note issue was accelerated year by year. The following table gives an estimate of the varied currency circulating in Manchuria at the end of December, 1929:

Name of Currency	Estimated amount in Circulation	Exchange Rate against 100 Silver Dollars	Value in Silver Dollars	Circulation Area
Mukden Notes	3,000,000,000 Yuan (Mukden Dollar)	6,000 Yuan	50,000,000	Mukden Province
Silver Dollar Notes.....	45,000,000 Yuan	100 Yuan	45,000,000	„
Harbin Tayan Notes.....	37,300,000 Yuan	140 Yuan	28,071,000	Harbin and C. E. R. Zone
Government Notes of Kirin Province	10,000,000,000 Tiao	20,000 Tiao	50,000,000	Kirin Province
Kirin Yungheng Tayan Notes	10,000,000 Yuan	145 Yuan	6,897,000	„
Government Notes of Amur Province	12,000,000,000 Tiao	40,000 Tiao	30,000,000	Amur Province
Amur Kuanghsin Tayan Notes	10,000,000 Yuan	140 Yuan	7,143,000	„
Sycee kept in Antung...	2,000,000 Taels	82 Taels	2,488,000	Antung
Transfer Account in Newchwang	15,000,000 Taels	210 Taels	7,143,000	Newchwang
Silver Dollar.....	1,000,000 Yuan	100 Yuan	1,000,000	Manchuria and Inner Mongolia
Small Silver Coin.....	5,000,000 Yuan	114 Yuan	4,386,000	Manchuria
Total			232,128,000	

In addition to the above, Japanese currency, chiefly the notes issued by the Bank of Cho-sen and the Yokohama Specie Bank, which circulate principally in the Leased Territory and the Railway Zone, were estimated at over 47,500,000 yen.

122 Copper Cash

Among native coins, copper cash (Chihchien), round in form with a square hole in the centre, is the oldest coin of China, and is recorded as existing at the beginning of the Chou Dynasty (B. C. 1122–781). Manchu peoples of the Tribal Kingdoms in the twelfth century used copper cash minted by Chinese during the Sung Dynasty. Since the Manchu Dynasty came into existence, this cash bore the characters of the calendar name of each Emperor. Cash first bore two characters — one the Chinese and the other the Manchu. Since the period of Emperor Yung Cheng (1723–36) only two Manchu characters were imprinted on each cash. "Chihchien" itself signifies "Official money." Meanwhile Ssuchien, cash made by private guilds or persons, came into existence, besides those brought from China proper, and the old Korean and Japanese cash which were exchanged in the barter trade. In the middle of the nineteenth century, many varieties of cash circulated in Manchuria. The Peking Government issued an order in 1852 to each province to readjust its cash, but the Mukden and Kirin Governments, not easily finding access to copper ore, minted silver coins and printed silver notes. In 1901, the Kirin Government first started to coin cash on a large scale, establishing four mints to meet the ever-increasing demand. Since the Kirin and Mukden Governments established official mints and began to produce copper coins after the Western fashion, the circulation of cash has gradually diminished. The closing down of the mints in China proper and later in Manchuria, the exportation of the cash abroad in consequence of the high price of copper, and the inconvenience of cash as money, caused this currency practically to disappear from the towns along the railways except in out-of-the-way places. But the new copper coin and the Government note were originally issued on the basis of this cash, and are still calculated in terms of tiao (吊) and wen (文).

123 Copper Coinage

Copper coins, or Tungyuan, to use the native term, were soon turned out in large quantities by the Government mints of Mukden and Kirin.

Amur Province received its supplies of copper coin from the Mukden and Kirin mints. The value of this new coin is measured by the old cash, and has inscribed on it 5 cash, 10 cash, or 20 cash according to size. The coin, being more regularly minted than the old cash, soon became popular. At one time it circulated extensively and constituted an indispensable currency in Manchuria. But it was not long before the greed for mintage profit resulted in its value being debased. The Peking Government in February, 1908, ordered the closing of the provincial mints with a view to putting an end to the evil practice. Subsequently the Mukden and Kirin Governments stopped the further minting of the copper coin. But the Mukden Government resumed the minting in September, 1908, and held a monopoly of it, supplying the whole to Manchuria, particularly after the Republican *régime* was inaugurated. Up to 1917, the Mukden Government had issued 232,000,000 of these coins. But large quantities were taken home each year by coolies from Shantung in the form of savings, and further, the Tungyuan-piao (note) nominally based on this copper coin and issued by the Amur and Mukden Governments, resulted in reducing the supply of the coins in Manchuria to an extremely small amount. To-day they are used as small change.

124 Silver Coins

Among the native currency, the silver coin called "Yangchien," is the most important in Manchuria. This coin, which is made after the western model, closely resembling the Mexican or Japanese coin, was first minted in 1889 in Canton by the Viceroy Chang Chih-tung. In the following year the Peking Government issued an edict, by which the Provincial Governments were permitted to mint silver coins and in which the denomination, fineness, and weight were defined. There are coins of five denominations, e. i., 1 yuan (元) (one Chinese dollar), 5 chiao (角), 2 chiao, 1 chiao and 5 fen (分). The yuan, which should have the fineness of 900, was regarded as the standard coin, while the rest, of finenesses of 860–820, were regarded as subsidiary.

In Manchuria, the minting of new silver coins was commenced by the Kirin Government in 1901 and by the Mukden Government in 1905. As in the case of China proper, the provincial governments in Manchuria, with an eye to the greater profits accruing, were anxious to mint the subsidiary rather than the standard coin. The following table shows the number of coins minted up to the end of 1917 by the above-mentioned provincial governments:

Denomination	No. of Coins minted at Mukden	No. of Coins minted at Kirin	Total	Value in Yuan or Dollars
1 Yuan (一元).....	11,709,259	4,734,717	16,443,976	16,443,976
5 Chiao (五角).....	—	12,719,553	12,719,553	5,781,615
2 Chiao (二角).....	249,219,912	22,508,562	271,728,473	49,404,995
1 Chiao (一角).....	1,078,450	953,875	2,032,325	184,847
Total				71,815,433

From the above table it will be seen that 55,000,000 dollars of subsidiary coins have been minted against 16,000,000 dollars of the standard. Indeed, the relationship of standard and subsidiary coinage originally intended for the different grades of silver coins could hardly be maintained under such circumstances. Having its own quotation in the market, each gradually became an independent currency. Of these new silver coins, yangchien, one yuan silver, is called tayangchien (大洋錢) signifying large yangchien, and the rest of smaller denomination hsiaoyangchien (小洋錢) signifying small yangchien. The tayangchien has circulated but little in Manchuria owing to the smallness of its issue, having been driven out of circulation by the smaller coins. Those which circulate in Manchuria are mostly the hsiaoyangchien, especially of the 2 chiao denomination; these are used mostly in Antung and Kwantung Leased Territory.

But the financial embarrassment of the Mukden Government and the world-wide appreciation in the price of silver during and after the European war made it impossible further to issue even these small coins, and naturally prepared the way for the issue of more paper notes, nominally based on the hard coins, but actually without reserve. In recent years, these silver coins were immensely decreased, their circulation being estimated at only a few million dollars in 1929.

125 Sycee

The sycee is a silver ingot that passes as money by weight. It is often called "shoe" or "shoe silver" (脊銀), since it is moulded in the shape of a shoe. This silver ingot is said to have come into existence in the later period of the Sung Dynasty (960–1280). Modelling bar silver or coined silver into sycee is entrusted to a few reputable private concerns, called Loofang. Every shoe bears the firm name of the melter, with the particulars of weight and fineness stamped upon it with a die. The weight and value of sycee vary according to province or locality. Shanghai shoes weigh very closely to 50 taels, while Newchwang shoes weigh on an average $53\frac{1}{2}$ taels. Shoe silver,

though rudimentary and inconvenient as money, is a very important medium of currency, as it is often used in the settlement of interport trade balances in China. This sycee was once widely used in Manchuria. Transactions of large amount were conducted by means of this silver ingot especially in Newchwang, Antung, Mukden, and Kirin. But the introduction of the so-called "transfer" or "book transfer" in the settlement of mercantile transactions of Newchwang, the financial chaos following in the wake of the civil war after the Revolution of 1911, and the rise in the price of silver as a consequence of the war in Europe, were the chief factors bringing about the gradual diminution of circulation of sycee. To-day it has practically disappeared from all commercial centres in Manchuria except Antung, where transactions in Yalu river timber and other staples are still conducted in sycee, known as the Chinpingyin (鎮平銀).

126 Paper Currency

As alluded to in the chapter on Trade, Manchuria is primarily an export country, so far as its external trade is concerned, and it might be expected consequently that various forms of hard currency would remain in Manchuria. But they were gradually diminished or done away with, one by one, as stated in the preceding section. Paper currencies were not only gradually taking the place of the metal moneys, but overwhelming all currencies without the backing of substantial reserves. They flooded the market beyond control.

127 Cash and Copper Notes

As in case of China proper, the provincial governments in Manchuria used often to issue the Government note, Kuantieh (官帖), while individual concerns issued paper currency in the form of a promissory note called Tiehtzu (帖子). These Government notes were first issued in 1898 in Kirin and Amur Provinces based on cash, with the object of replacing the obnoxious private notes then in circulation. In their earlier days, they were readily converted into cash, and naturally maintained credit. As time went on, however, the financial disorders of these governments made conversion difficult and their value gradually declined. Yet, in the absence of better money, they circulated widely in these two provinces, but at a large discount.

There is another Government note in the Amur Province issued on the modern copper coin, and called Tungyuan-piao (銅元票), or copper

note. As already stated, the Amur Government, possessing no mint, had this coin supplied by the Mukden and Kirin Governments. But not having a steady supply of the copper coins, the Amur Province started to issue copper notes, nominally based on the copper coins. The copper note was issued in enormous quantities, also, by the Mukden Government, and the value in circulation was estimated at about 90,000,000 Yuan in 1929.

128 Silver Notes

Silver notes are called Yangchien-piao (洋錢票). Notes issued on the Chinese silver dollar are called Tayang-piao (大洋票) and those to be issued on smaller silver coins Hsiaoyang-piao (小洋票).

The hsiaoyang-piao is not necessarily limited to the smaller denomination. For example, the 5 yuan (dollar) note, if the issue bank promises to pay bearer fifty ten-cent pieces, is called the hsiaoyang-piao, or smaller silver coin note. This note was issued by the Government Three Eastern Provinces Bank, Mukden Industrial Bank, and Mukden Commercial Bank, at Mukden; by the Kirin Yungheng (Government) Bank, at Kirin; and by the Amur Government in Tsitsihar, capital of Amur Province. It was also issued by the branches of the Bank of Communications, and the Territorial Bank, each having its main office in Peking. This note was current in the early years of the establishment of the Republic throughout Manchuria, except Kwantung Peninsula, where the Japanese currency dominated. But it circulated most extensively in Mukden Province, where it formed the principal currency, while in Kirin and Amur Provinces, the cash note or copper notes circulated more commonly, as already stated. This currency was originally a note convertible into small silver coins. But the wanton issue of the note by these banks in Mukden, especially by the (Government) Bank of the Three Eastern Provinces, Mukden, made their conversion into specie or coin impossible. The disorder resulted in financial disturbances in Manchuria, the interest of the Japanese communities being also seriously affected. To remedy this financial chaos, six great banks in Manchuria made an agreement which came into force in August, 1917. By this agreement, the tayang-chien, or Chinese silver dollar, was to be adopted as the standard; the issue of the hsiaoyang-chien (smaller silver note) was to be stopped, and those in circulation were to be exchanged for the new tayangchien, with the exception of the small notes under 10 chiao; and the exchange ratio of hsiaoyang to tayang was to be 10 to 12. The issue banks enjoyed such little

public credit that as soon as the new notes were on the market not only were the old hsiaoyang notes presented for exchange into tayang notes, but the new tayang note itself was presented for conversion into cash. The result was that the tayang note became as inconvertible as the hsiaoyang note.

The original aim of putting a stop to the indiscriminate note issue thus resulted in failure. On the contrary, other issues of inconvertible notes came in succession under other names, such as the Huitui-piao (滙兌票) or exchange note, which, together with the copper note issued by the Mukden Government, is popularly called the Mukden note.

129 Mukden Note

This exchange note was first issued in December, 1917, by the Bank of the Three Eastern Provinces by order of the Mukden Government. The privilege was extended to the Bank of China and the Bank of Communications in 1919, each to the extent of 5,000,000 dollars. By the compulsory use of this note, it circulates extensively side by side with the tayang and hsiaoyang notes. It has become a most common practice of the provincial governments to relieve their financial embarrassments simply by the issue of new bank-notes through these official banks, little trouble being taken about the reserves to cover the issues. In the year 1922, when civil war broke out between the Chihli and Mukden parties, the issue of these Mukden notes increased to 300,000,000 dollars. When Kuo Sung-ling revolted against Chang Tso-lin in December, 1925, the Mukden notes were further augmented to about 490,000,000 dollars. It is said that huitui-piao, or tayang notes in the form of exchange notes, which were printed in America to the amount of 50,000,000 yen, were brought to Newchwang in the same year. During the civil war between the North and South (1926–28) more of these Mukden notes were issued, and they were estimated from 800,000,000 dollars to 1,300,000,000 dollars at the end of 1928. During the warfare that resulted from the Sino-Soviet dispute in 1929, the total issue of Mukden notes was estimated at over 3,000,000,000 dollars in November of that year.

Mukden notes are bank notes not backed by specie reserve, but dependent upon the goodwill and credit of the Mukden Government. Any movement of the political situation at Mukden has most keenly affected these notes. Their value has steadily declined since 1918, and dropped to 167 dollars against 100 silver dollars at the time of the civil war, 1922. When Kuo Sung-ling's rebellion took place in December,

1925, it fell to 290 dollars. Although it recovered to 260 when the revolt was crushed in January, 1926, it dropped to 600 in July, 1926, when Chang Tso-lin marched to Tientsin. It further dropped to 614 in January, 1927, after Chang entered Peking, and while the big campaign against the South was going on, the Mukden note gradually went down to 1,390 in December. At the end of 1929, the year of the Sino-Soviet dispute, the Mukden note fell to 6,000 to the silver dollar. It fell still further to 11,800 in December, 1930.

130 Book Currency

In Manchuria, as in the rest of China, there is a system of book or accounting currency, the units of calculation being known as the Kuping tael, Haikwan tael and Transfer tael. None of these actually exists, either as coins, notes, or in the shape of ingots.

Of these imaginary currencies, the Kuping tael, or the Treasury tael, was originally adopted for the collection of taxes under the *régime* of the Manchu dynasty. This tael is supposed to be 1,000 fine and to weigh 575.8 grains.

The Haikwan or Customs tael is another fictitious arbitrary financial unit. This tael is the standard by which the Chinese Maritime Customs levies all duties on imports and exports. But all Customs dues are collected in local money at the rate of exchange fixed by the Customs authorities. This tael is supposed to be 1,000 fine and to weigh 583.15 grains troy.

Another book currency is the transfer tael peculiar to Newchwang. But this tael is somewhat different from the above-mentioned fictitious taels in that "it does not pretend to have a certain fineness or weight." At Newchwang, as in most Manchurian cities, the good sycee, in consequence of financial disturbances since the Boxer trouble and the rise in the price of silver, gradually disappeared from circulation, and became transformed into a mere transfer system of yangchien notes.

131 Foreign Currency

Mexican and Hongkong dollars circulated at Newchwang after its opening to foreign trade in 1860, as in Shanghai and Tientsin. When the construction work of the Chinese Eastern Railway was commenced in 1897, Russian gold roubles circulated along the railway zone in Manchuria. In the same year, the Russo-Asiatic Bank established a branch office at Newchwang, which financed the huge transactions in

railway materials. During the Russo-Japanese war (1904–5) both belligerents issued enormous amounts of military notes. The Japanese military notes alone at one time went up to 150,000,000 yen, and the Russian issue was probably greater. Although the military notes were in circulation all over Manchuria, they were gradually withdrawn. But the growing economic interests of Japan and Russia in Manchuria caused the two countries to circulate their own currencies.

132 Russian Currency

The Russian rouble note was formerly the most powerful foreign currency in Manchuria. It circulated all over the three provinces, as freely in Newchwang, Port Arthur, Dairen, and Mukden, as in Harbin and the northern areas. But after the Russo-Japanese war, the sphere of its circulation was limited to the North. Prior to the great war in Europe, the total amount of Russian currency circulating in Manchuria was estimated at over sixty million roubles.

After the outbreak of war in 1914, the ever-increasing issue of paper regardless of specie reserve caused the rouble note to become inconvertible, and the situation was aggravated by the outbreak of the revolution in 1917 in European Russia, which was followed by political chaos in the Chinese Eastern Railway Zone. At this time the area was flooded with notes of dubious quality — Romanoff and Kerensky notes, the Russian Treasury notes issued by the Russo-Asiatic Bank, Harbin Municipality notes, and paper issued by the Chinese Chambers of Commerce at Harbin, Manchuli, and other centres. Russian subsidiary coins were superseded by postal and savings stamps overprinted with kopek denominations.

Financial disorder of this character continued for several years, until the establishment in 1922 of the State Bank of Soviet Russia, and the issue of a new gold rouble note named the chervonetz. This gradually restored credit, and has been adopted as the unit of freight payments by the Chinese Eastern Railway. Subsequently, however, Russian influence being overshadowed by the vigorous policy of Chang Tso-lin, Chinese paper currency, and to a certain extent Japanese currency, penetrated the Railway Zone; the Russian chervonetz fell off, and to-day its circulation is limited to the Russian community in Harbin. In July, 1927, it was estimated the notes in circulation were no more than 700,000 roubles.

133 Japanese Currency

Japanese currency circulating to-day in Manchuria, particularly in the Railway Zone and the Leased Territory, consists of auxiliary coins and silver yen minted in Japan, and notes issued by the Bank of Japan, the Bank of Cho-sen, and the Yokohama Specie Bank.

The military notes issued by the Japanese Government during the Russo-Japanese war for the use of the armies in Manchuria amounted to 150,000,000 yen. It was a convertible note, payable in Japanese silver yen, and of six denominations, namely, 100 yen, 10 yen and 1 yen, and 50, 20 and 10 sen. Soon after the conclusion of the war, the redemption of the note was entrusted to the Yokohama Specie Bank. It was steadily redeemed, and the amount still outstanding is negligible.

134 Yokohama Specie Bank Silver Note

When the Manchurian trade of Japan, particularly the purchase of soya beans, was growing, the Yokohama Specie Bank opened a branch office at Newchwang in January, 1900, and commenced business in exchange. Following the practice of other foreign banks in the open ports of China, this office of the Yokohama Specie Bank, in 1903, began to issue silver notes payable at sight in the Japanese silver yen. One year after the conclusion of the Russo-Japanese war, the Japanese Government gave orders to the bank to redeem the military notes issued during the war, and, in consideration thereof, granted the bank the privilege of issuing notes in Manchuria.

This bank-note is of four denominations, of 1, 5, 10, and 100 yen, all payable in Japanese silver yen, and called by the Chinese yin-piao (silver note), or chao-piao (鈔票). The note must be issued only by the branch office of the Bank in Dairen, and is payable only at this branch. This practice still continues. The note-issue progressed favourably for the first several years, and amounted to over 7,000,000 yen at the end of the year 1911. But the fluctuation in the price of silver was so acute, that the Kwantung Government had to adopt in 1908 the unit of the gold yen in the valuation of its revenue and the South Manchuria Railway in payment of wages, especially for the Japanese employees. In the meantime, the Japanese population gradually increased in the Leased Territory of the Kwantung Peninsula and in the Railway Zone, where the Japanese gold notes issued by the Bank of Japan and the auxiliary currency naturally circulated. In 1913, the Yokohama Specie Bank was finally authorized by an Imperial Ordinance to issue notes on

gold coins or notes of the Bank of Japan. For this reason the circulation of the Yokohama Specie Bank silver notes steadily declined, until at the close of the year 1915 the amount of those in circulation was but 2,257,000 yen. The gold note issue of this bank was continued until 1917, when this privilege was transferred exclusively to the Bank of Cho-sen. By discontinuing the issue of gold notes, the note issue on silver by this Bank did not increase. On the contrary, the note based on silver became more and more difficult owing to the rise in price of silver. Moreover, the Japanese and other foreign dealers in Manchurian beans preferring the gold unit in their transactions, the Produce Exchange of Dairen adopted the gold unit account in 1921. This movement also affected the silver notes issued by the bank, which fell off to 1,037,000 at the end of 1922. Meanwhile the acute fluctuation in the price of silver stopped, and the Produce Exchange of Dairen readopted (in 1923) the silver unit for account settlements. Since this date, the note issue of the Yokohama Specie Bank has been on the increase.

The following table shows the movement in value of the Yokohama Specie Bank silver note issue for the last twenty-three years:

Year	Amount	Year	Amount
1907	4,905,000	1919	2,938,000
1908	3,999,000	1920	1,771,000
1909	2,856,000	1921	1,037,000
1910	3,604,000	1922	1,231,000
1911	7,198,000	1923	1,484,000
1912	3,439,000	1924	1,496,000
1913	4,049,000	1925	3,088,000
1914	2,984,000	1926	3,305,000
1915	2,257,000	1927	5,460,000
1916	4,121,000	1928	9,863,000
1917	3,074,000	1929	5,971,000
1918	2,366,000		

135 Bank of Cho-sen Gold Note

The bank-note issued by the Bank of Cho-sen is practically the same as the gold yen note issued by the Bank of Japan, since it is based on gold coins, bullion, or the Bank of Japan notes. It was originally legal tender in the Peninsula of Cho-sen (Korea) only, but the extension of trade in Antung and in the Manchurian frontier districts resulted in its extended use beyond the Korean border; and with the completion in 1911 of the Antung-Mukden Railway, which connects with the Korean Railway, trade between Korea and Manchuria steadily increased, and the gold notes of the Bank of Cho-sen were found cir-

culating all along the new railway in 1913. The establishment of branches by the bank at Mukden, Dairen, Changchun, Ssupingkai, Kaiyuan, Harbin and Newchwang — important railway centres — widened the sphere of circulation of the note. In June, 1916, the Bank began issuing fractional notes to serve as money subsidiary to its standard note. The Government of Japan felt the advisability of unifying the gold notes issued by the two banks in Manchuria — the Yokohama Specie Bank and the Bank of Cho-sen — and it was finally decided in December, 1917, by Imperial Ordinances Nos. 217 and 218, that the bank-note issued by the Bank of Cho-sen should be the sole legal tender in the Leased Territory of Kwantung Province and the South Manchuria Railway Zone. Simultaneously the Yokohama Specie Bank gold-notes amounting to 4,538,340 yen were transferred to the Bank of Cho-sen to be withdrawn as speedily as possible in favour of the notes of the latter. The amount of the note issue of the Bank of Cho-sen and the amount of the notes in circulation in Manchuria estimated at the end of each year up to 1929 are shown in the following table:

Year	Amount of Issue	Estimated Amount in Circulation in Manchuria
1917	67,364,000	—
1918	115,523,000	19,089,000
1919	163,600,000	37,066,000
1920	114,034,000	42,342,000
1921	134,360,000	46,775,000
1922	100,544,000	34,251,000
1923	110,233,000	39,174,000
1924	129,113,000	45,190,000
1925	120,540,000	42,190,000
1926	110,939,000	33,829,000
1927	124,527,000	43,584,000
1928	132,444,000	46,355,000
1929	118,701,000	41,545,000

There is no means of ascertaining exactly the proportion of notes issued by the Bank of Cho-sen in circulation in Manchuria, owing to the constant movement of money to and from Cho-sen, but the above estimate is the result of careful calculation.

136 Banking Institutions

Prior to the Sino-Japanese war (1894–5), there was no banking institution in the modern sense in Manchuria. There were native ex-

change shops: Piaochuang (票莊), Chienchuang (錢莊), Yinlu (銀爐), and Chienpu (錢舖), as well as Tangpu (當舖) or pawnshops.

These exchange shops, though principally conducting local business by exchanging the different currencies, often received deposits and made loans. The yinlu originally participated in minting coins, and later limited their activities to a sort of ordinary banking exchange business, granting loans, and receiving deposits. Piaochuang at one time extensively engaged in the exchange of bills and notes especially among the Shanhsi people, but to-day this is practically done away with because of the development of modern banking institutions in Manchuria. The tangpu is the pawnshop, which is an important monetary organ, especially for the coolie class. There is another shop called Liangchan (糧棧), conducting warehousing and brokerage business in grains; these shops also render financial service to farmers.

The Russo-Chinese Bank, established in 1895 prior to the construction of the Chinese Eastern Railway, was the first foreign banking institution in Manchuria. The Yokohama Specie Bank, of Japan, commenced an exchange business at Newchwang in 1900. The modern Chinese bank was not established until the period of the Russo-Japanese war (1904–5).

137 Chinese Banks

As provincial government institutions, there are four banks in Manchuria. The present Three Eastern Provinces Government Bank (東三省官銀號), the Government institution at Mukden, was established in 1909 by amalgamation with the original Mukden Government Bank which was created in 1905. This bank again annexed in 1924 the Mukden Industrial Bank and increased its capital to 20,000,000 Mukden dollars. The bank has branches in the principal towns along the South Manchuria Railway, the Chinese Eastern Railway, and Chinese Railways in Manchuria. The bank acts as a central bank for Mukden Province and is authorized to issue the famous Mukden note and Harbin note, the issue of which to-day has reached enormous amounts. Beside issuing notes and doing an ordinary banking business, including exchange, the bank conducts the purchase of Manchurian beans, and manufactures fibres, flour, bean-oil, etc. The Frontier Bank (邊業銀行) was originally established at Tientsin in 1924 by Chang Tso-lin, but was transferred to Mukden in 1928, when Chang retreated from Peking and Tientsin. Its authorized capital is 20,000,000 Mukden dollars, and its principal shareholder is Marshal Chang Hsueh-

liang. The bank not only acts as the treasury of the Mukden Government, but issues Mukden and Harbin notes together with the Three Eastern Provinces Bank. This bank also engages in the ordinary banking business and deals in Manchurian beans. Generally speaking, the bank acts as a Government bank side by side with the Three Eastern Provinces Government Bank.

The Kirin Yungheng Government Bank (吉林永衡官銀錢號) was established at Kirin in 1909 with the authorized capital of 10,000,000 Chinese dollars, it being an amalgamation of the Minting Bureau and Note Issue Bureau of Kirin Province. Acting as the central bank of Kirin Province, the bank acts as the public treasury and issues notes. In Amur Province, there were formerly two banks: Kuanghsin Kungssu, established in 1904 with a capital of 512,000 taels, and the Amur Government Bank, established in 1908 with the capital of 300,000 taels. These banks were amalgamated in 1919 under the name of the Amur Province Kuanghsin Kungssu (黑龍江省廣信公司) with an increased capital amounting to 1,000,000 taels. The notes issued by this bank reached 10,000,000 Chinese dollars at the end of 1929.

The Bank of China and the Bank of Communications established branches in Manchuria, and were authorized to issue notes in Manchuria to a limited extent in 1907. In addition to the above mentioned, more than twenty banks were established in Manchuria and Inner Mongolia during the period 1914–29, and still others are contemplated.

138 Japanese Banks

Besides the branches of the Bank of Cho-sen and the Yokohama Specie Bank in Manchuria, details of which have already been given, there are 15 other Japanese banks in the Leased Territory and in the principal towns along the South Manchuria Railway, and at Kirin and Harbin. The authorized capital of these banks aggregated 33,975,000 yen, of which 14,431,000 was paid up, at the end of 1929.

Most of the Japanese banks receive deposits and make loans both on gold and silver yen account. The following table shows the amount of deposits and loans of the Japanese banks (including the Bank of Cho-sen and the Yokohama Specie Bank) since 1918:

Year	Deposits		Loans	
	Gold Account	Silver Account	Gold Account	Silver Account
	Yen	Yen	Yen	Yen
1918	75,076,000	4,523,000	136,351,000	20,979,000
1919	125,479,000	11,463,000	237,380,000	21,785,000

1920	92,176,000	5,667,000	199,665,000	6,772,000
1921	106,977,000	10,135,000	267,535,000	17,399,000
1922	110,114,000	11,124,000	279,819,000	9,566,000
1923	97,481,000	13,237,000	273,588,000	11,886,000
1924	107,314,000	9,829,000	267,966,000	11,249,000
1925	132,041,000	28,479,000	282,252,000	14,416,000
1926	120,425,000	19,922,000	259,087,000	13,957,000
1927	144,262,000	16,557,000	238,814,000	11,569,000
1928	145,950,000	16,749,000	196,226,000	12,633,000
1929	142,311,000	20,748,000	206,241,000	15,319,000

139 Other Foreign Banks

The Russo-Chinese Bank, established in St. Petersburg in December, 1895, with an initial capital of 6,000,000 gold roubles derived from French sources, was possibly the first banking institution in Manchuria, especially financing the construction of the Chinese Eastern Railway and other Russian activities in Manchuria. To the capital of the Bank the Chinese Government was said nominally to have contributed 5,000,000 Kuping taels, in order to participate in the profits of the enterprise. The name of the bank was changed in 1910 to the "Russo-Asiatic Bank". At one time, it conducted an extensive business, especially in North Manchuria. As a result of the Bolshevik revolution, however, there was much negotiation between China, France and Russia regarding the nationality of the bank, and France finally took it over, in 1920, when it was reorganized in Paris. But after the Revolution its activities were much reduced, and the bank to-day exists only nominally.

The Dalbank was established in Harbin in 1923 by the Soviet Union, and acted as agent for the accounting administration of the Chinese Eastern Railway. On August 10, 1927, it was arranged that the receipts of the railway should be deposited in equal proportions in the Three Eastern Provinces Bank at Mukden and the Dalbank. When the Sino-Soviet dispute took place in 1929, the Dalbank closed its office, in September, and reopened business when the dispute was settled.

The Hongkong & Shanghai Banking Corporation, of British registry, gradually penetrated the financial field in Manchuria as the business of the Russo-Asiatic Bank declined. The British bank, with its established credit, is playing an important part in the foreign exchange business in Manchuria. It has branches at Dairen, Harbin and Mukden. The Chartered Bank of India, Australia & China, of London, opened branches in Dairen and Harbin in 1928.

The National City Bank of New York has opened branches at Dairen, Harbin and Mukden. In April, 1930, the bank opened an office in the branch of the Bank of China at Kaiyuan, where short-term loans on the security of real estate and personal property are granted. The bank is said to have a special arrangement with the Dalbank for conducting business in North Manchuria.

XI EDUCATION

140 Education in Manchuria

It is said that, prior to the Boxer outbreak of 1900, there was no real public school system in Manchuria, nor any institution providing modern education except the few maintained by foreign missionaries. For many years, the village literati gave lessons to boys in the writing and reading of Chinese characters and in domestic etiquette, this kind of school being known as Shuyuan (書院), or Shufang (書房). The higher education was limited to the few persons preparing for the most exacting civil service examination, called Kochu (科舉). A peculiarity of the old Manchu system was the privilege of the military caste to receive the form of instruction called the "Eight Banner Military Learning" (八旗義學). This was given to young men of the military caste of the Eight Banners.

In the latter part of the nineteenth century, stimulated by Western civilization, the Chinese began to improve the educational system. Soon after the Boxer trouble, a Government University was established in Peking. On November 26, 1903, regulations governing the new school system, chiefly modelled after the Japanese school system, were promulgated. Subsequently, the old-fashioned civil service examination which had existed for more than a thousand years, since the Tang Dynasty, was abolished. More comprehensive school regulations were promulgated in the first year of the Republican *régime*, 1911. In November of that year, the Mukden Government issued regulations under which the modern school system was to be gradually evolved.

It was the Russians who first brought some sort of modern education into the Railway Zone of Manchuria. After the Russo-Japanese war, the Japanese educational system was established in the Leased Territory and the Zone of the South Manchuria Railway.

To-day, in Manchuria, the Japanese are spending about 8,000,000 yen per year on the educational service in South Manchuria; the Chinese Eastern Railway under Chinese and Russian management defrays about 2,400,000 roubles for educational work; and the Mukden, Kirin, and Amur provincial governments are said to have spent about 6,100,000 Chinese dollars on educational work.

Besides the educational services maintained by the Chinese, Japanese, and Russians, it should be mentioned that Irish, Scotch, French,

and Danish missionaries for many years participated in educational and medical work in Manchuria.

141 Japanese Educational Service

The educational system maintained in Manchuria by the Japanese, though fundamentally similar to that of Japan proper, is modified so as to meet the conditions peculiar to Manchuria. Schools of the elementary and high school grades are provided separately for Chinese and Japanese, while co-education for Chinese and Japanese is maintained in the higher professional schools of university grade.

a Schools for Chinese

Public schools (公學堂) of elementary grade and middle schools (中學堂) of high school grade were established and are maintained by the Kwantung Government in the Leased Territory and by the South Manchuria Railway Company in the Railway Zone.

The first public school for Chinese in the Leased Territory was that established as early as 1904, in Chinchou, when the area was under military occupation. The first elementary school in the Railway Zone was established in Kaiping in 1909. They were gradually increased in this region, so that to-day they number twenty, and the pupils 11,707, as shown in the table below:

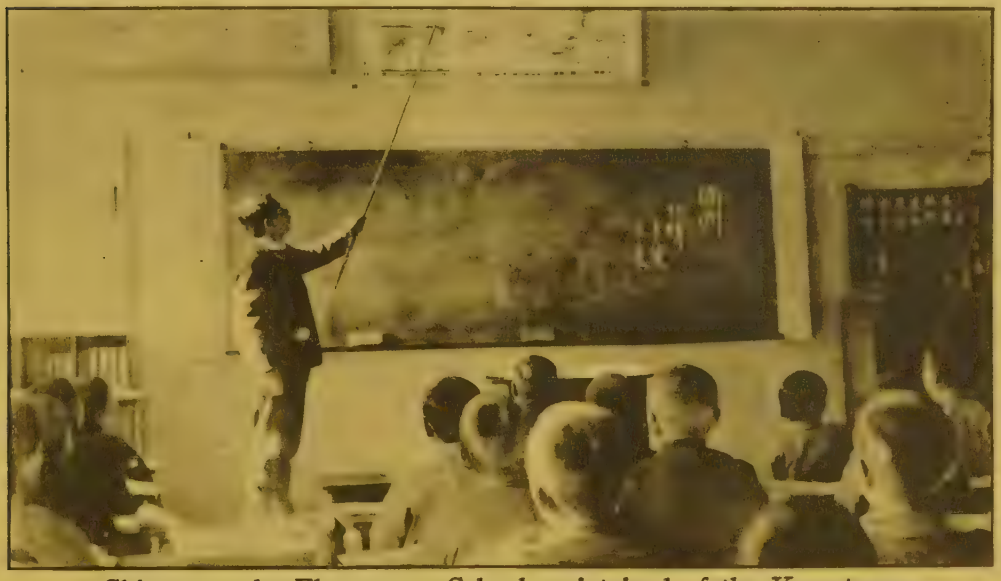
March 31, 1930

	No. of Schools	No. of Instructors	No. of Students	Running Expenses
Public Schools in Leased Territory	10	250	8,767	¥423,085
Public Schools in Railway Zone	10	90	2,940	151,694
Total	20	340	11,707	574,779

Instruction is given in the Japanese and Chinese languages, and includes moral teaching, arithmetic, simple physics, and manual training. Besides these schools, the schools of lower grade called common public schools (普通學堂) are maintained by the village communities in the Leased Territory. They were 110 in number, with 506 teachers and pupils aggregating 22,788 as existing on March 31, 1930. Their annual expenditure aggregated 338,665 yen.

With regard to middle school education for Chinese, a school was established at Mukden in 1917 by the South Manchuria Railway Company, and another at Port Arthur in 1924 by the Kwantung Government. At these institutions are taught the Japanese and Chinese languages, English, history, geography, mathematics, natural history, drawing,

Chinese at the Elementary School maintained by the S. M. R., Changchun



Chinese at the Elementary School maintained of the Kwantung Government, Dairen

School for Chinese maintained by the S. M. R., Ssupingkai

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physics, chemistry, and manual training. The staffs of these schools, the number of students, and maintenance expenses are shown in the table below:

March 31, 1930

	Teachers	Students	Expenses
Port Arthur Middle School	17	195	73,053
South Manchuria Middle School	22	349	92,852
Total	39	544	165,905

The Kwantung Government and the South Manchuria Railway Company have paid as much attention to the encouragement of industrial education for Chinese boys as to elementary education. The industrial schools, giving necessary instruction to native boys wishing to engage in agriculture, commerce, or mining, according to the local requirements, may be classified as agricultural, commercial, and mining schools. Commercial schools were established in the commercial centres, such as Dairen, Liaoyang, and Yingkou (Newchwang); agricultural schools in the agricultural centres, Hsiungyaocheng and Kungchuling; and a mining school in the mining town of Fushun.

Further details of these schools are given in the following table:

March 31, 1930

	Maintained by	Teachers	Students	Expenses
Dairen Commercial School	Kwantung Government	9	80	15,982
Chinchou Agricultural School	„		85	
Liaoyang Commercial School	S. M. R.	7	21	22,092
Yingkou Commercial School	„	9	75	52,339
Kungchuling Agricultural School	„	9	32	33,382
Total		34	294	123,793

In order to provide a sound teaching force for native elementary schools, a normal school (師範學堂) was established at Port Arthur by the Kwantung Government.

For training Chinese teachers, a normal school course originally was attached to the middle school at Port Arthur. It became an independent normal school in 1918. Graduates of the higher grade of the public schools are eligible as students. There are 28 instructors and 167 students. The annual maintenance expense of this school amounts to 164,699 yen.

b Education for Japanese

As Japanese residents steadily increased after the Russo-Japanese war, the Kwantung Government first established two elementary schools

for Japanese children as early as 1906, one at Port Arthur and the other at Dairen. In the following year, the South Manchuria Railway Company established similar schools in Liaoyang and Fushun. As the Japanese population increased, the schools increased to 50 in number, with 27,869 pupils, as they existed at the end of March, 1930. The curricula of these schools, though similar to the schools in Japan proper, include the Chinese language, and a course of elementary industry in order to fit pupils to the local conditions existing in Manchuria. In addition, there are Japanese elementary schools in Chinchou, Hsinmintun, Chientao, Manchuli, Hunchun, and Tuerhkou.

Regarding high-school education, the necessity of establishing middle schools for the benefit of public school graduates was soon felt. A middle school was first established at Port Arthur in 1909 by the Kwantung Government. Several years later, two middle schools were established in Dairen. Since 1919, four middle schools have been established in the Railway Zone by the South Manchuria Railway Company, one each at Mukden, Anshan, Fushun, and Antung. Subsequently seven girls' high schools were established — at Port Arthur, Dairen, Mukden, Antung, Fushun, and Changchun. The standing of these Japanese middle schools and girls' high schools to-day is practically as advanced as those in Japan proper.

The following table shows the general features of public schools, middle schools, and girls' high schools in the Leased Territory and the Railway Zone:

March 31, 1930

	Location	School	Teachers	Students	Expenses
Public Schools	Leased Territory ...	20	401	13,578	1,031,907
	Railway Zone.....	30	429	14,301	986,704
	Total	50	830	27,879	2,018,611
Middle Schools	Leased Territory ...	3	119	2,224	385,055
	Railway Zone.....	4	93	1,706	335,620
	Total	7	212	3,930	720,675
Girls' High Schools	Leased Territory ...	3	104	2,152	338,613
	Railway Zone.....	4	84	1,569	282,988
	Total	7	188	3,721	621,601

As to commercial training for Japanese, a commercial school was established at Dairen in 1910 by the Oriental Association, of Tokyo, while another was established at Changchun in 1920 by the South Manchuria Railway Company. In their curricula, which are practically the same as those of similar schools in Japan, the teaching of the Chinese and Russian languages is much emphasized. The following

table shows the number of instructors and students and running expenses of these schools:

March 31, 1930

	Founder	Teachers	Students	Expenses
Dairen Commercial School.....	Oriental Association	41	1,036	156,434
Changchun Commercial School.	S. M. R.	23	402	93,670
Total.....		64	1,438	250,104

For advanced education in the professions, the higher professional school system of Japan has been introduced to South Manchuria. There are three colleges, the South Manchuria Technical College, the Manchuria Normal College, and the Russo-Japanese Association's College. The Technical College was established by the South Manchuria Railway Company at Dairen, and consists of two departments: Constructive and Mechanical Engineering. The former is divided into four sections: Architecture, Civil Engineering, Mining, and Agricultural Engineering, the latter being divided into four sub-sections: Electricity, Machine-Making, Railway Machinery and Mining Machinery.

In order to foster skilled labour, an elementary training course is attached to this college. The Normal College, established in 1924 at Mukden by the South Manchuria Railway Company, has two Departments: Literature and Science. The Russo-Japanese Association's College was established in 1920 at Harbin by the Russo-Japanese Association, of Tokyo. The staffs, etc. at these institutions are:

March 31, 1930

		Instructors	Students	Expenses
South Manchuria Technical College	Dairen	52	234	216,859
Manchuria Normal College	Mukden	25	111	188,360
Russo-Japanese Association's College.....	Harbin	34	90	151,138

c *University Education*

Chinese and Japanese graduating from the middle schools, desiring advanced work in science and professional training, usually had to go to Japan or other countries. In order to give every possible advantage to these young men, the Kwantung Government first established in 1910 a technical college at Port Arthur, and the South Manchuria Railway Company founded a medical college at Mukden in 1911. In order to meet the trend of the times, especially after the great European war, these colleges were advanced to university grade, providing a three-year course, to which was added a three-year preparatory course. For Chinese students, a year's course in the Japanese language is

provided before their entrance to the preparatory course. The medical university at Mukden will be treated more fully in the section on Medical Education in the following chapter dealing with Sanitation. The Technical University maintains three departments, i. e., Mechanical Engineering, Electrical Engineering, and Mining and Metallurgy.

The table below shows the numbers of the faculties and students at these universities and running expenses as they existed at the end of March, 1929:

	Professors	Studies	Students	Expenses
Technical University	100	University Course	168	Yen 636,808
		Preparatory Course	202	
Medical University	101	University Course	242	„ 609,220
		College Course	114	
		Preparatory Course	240	

d Education for Koreans

Korean migration into Manchuria has a long history. Since the Sino-Japanese war, and especially after the Russo-Japanese war, immigration has been on the increase particularly in the Chientao districts, and in the suburbs of Harbin, Changchun, Kirin, Mukden, and Antung. The Korean population in Manchuria is estimated as between 750,000 and 1,000,000, and most of the settlers are engaged in rice and millet cultivation.

In the education of Korean children in the Railway Zone, the South Manchuria Railway Company is also participating. There are eight common schools for Korean children with 2,079 pupils, as they existed at the end of March, 1930. Some of these schools were built and are maintained by the Company, and others by its help. The Government-General of Korea also extends pecuniary assistance in the Chientao districts. In the fiscal year ending March 31, 1930, 54,439 yen were allocated in this way by the South Manchuria Railway Company and 21,196 yen by the Government-General of Cho-sen. In addition, there are about 770 Korean common schools maintained outside the Railway Zone by the Korean village communities or associations. The home Government at Seoul, the Government-General, affords pecuniary assistance if such be applied for.

The following table shows the distribution of Korean schools in Manchuria:

	Schools	Pupils
S. M. R. Zone	8	2,079
Harbin	17	479
Tsitsihar	4	166

Changchun	1	99
Kirin Districts	177	4,624
Teichiatun	4	162
Tiehling Districts	8	138
Mukden	21	809
Hsinmintun Districts	51	1,331
Liaoyang	2	28
Newchwang	1	46
Antung	77	1,545
Chientao Districts	406	25,006
Total	777	36,506

142 Chinese Educational Service

Concerning modern education in Manchuria, the Mukden, Kirin, and Amur provincial governments are endeavouring to improve their systems. The Mukden Government promulgated in December, 1922, summarized regulations of the educational system, in which the first article declares that the fundamental object of education should be moral teaching and industrial training. The second article provides the school system — public school, middle school, and university, besides the normal school and professional college. One or more public schools must be established in each prefecture, district, and village. There are a number of modern schools to-day. The middle school of primary grade must be maintained by the prefecture, and the higher grade of this school by the province.

Seven middle schools of higher grade have been established, and there are 7,800 students. Six normal schools have a total of students estimated at about 4,000. There are schools of higher education, i. e., the Chinese Literature College, the Technical College, and the North-Eastern University. Of these, the latter is the most important. It was established in April, 1923, at Mukden, at the cost of 2,800,000 dollars, when Mr. Wang Yung-chiang was the Governor of Mukden Province. The Governor himself was the first president of the institution. The University has six Departments — Literature, Pure Science, Civil and Mechanical Engineering, Law, Commerce, and Agriculture, and a Post Graduate course. The course of study is between three and four years, and graduates of the higher grade of middle school are eligible as students. There were 198 students in the several courses, and 377 students in the preparatory course, making the total 575, according to returns for 1926. The university was originally established by the co-operation of the Mukden and Amur Governments, but the running

expenses, amounting to about 400,000 Chinese dollars per year, are said to be defrayed chiefly by the Mukden Government. Kirin University was established in 1929, and 1,520,000 Chinese dollars was to be appropriated for the necessary expenses.

In recent years, the Chinese educational service in Manchuria is said to have adopted the educational programme formulated by the National Government at Nanking in order to be in accord with the doctrines embodied in the so-called Three Principles (三民主義) of the late Kuomintang leader, Sun Yat-sen.

The number of schools and students in the Mukden and Kirin Provinces are shown in the tables below as they existed in 1928.

Schools in Mukden Province		Number of Schools: Maintained by Province	Maintained by Prefecture & Private	Total		Number of Students	
Kindergarten		1	11	12		536	
Primary School	Lower Class	17	8,880	8,897	9,860	483,866	609,413
	Higher „	17	487	504		33,983	
	Lower & Higher „	—	445	445		90,024	
	Others	—	14	14		1,540	
Middle School	Lower Class	16	89	105	134	16,341	21,638
	Higher „	12	15	27		3,131	
	Lower & Higher „	—	2	2		2,166	
Normal School		7	89	96		8,796	
Industrial School		6	40	46		2,254	
Others		1	4	5		412	
Total		77	10,076	10,153		643,049	

Schools in Kirin Province		Number of Schools: Maintained by Province	Maintained by Prefecture & Private	Total		Number of Students	
Kindergarten		1	—	1		54	
Primary School	Lower Class	19	1,395	1,414	1,654	84,668	120,051
	Higher „	—	74	74		4,856	
	Lower & Higher „	8	155	163		80,438	
	Others	—	3	3		89	
Middle School	Lower Class	8	20	28	29	3,955	4,254
	Higher „	—	—	—		—	
	Lower & Higher „	1	—	1		299	
Normal School		6	10	16		1,299	
Industrial School		1	4	5		241	
Others		—	—	—		—	
Total		44	1,661	1,705		125,899	

In Amur Province, where education facilities are yet inadequate, statistical data are not obtainable.

143 Chinese Text-Books

Text-books recently compiled in South China, especially for use in elementary schools, contain paragraphs or stories of a strong anti-foreign nature against Great Britain, France, Germany, Japan and Russia. In many instances, the compilers resort to the practice of telling half-truths regarding the acts of foreign governments in China, but there is a gross omission of the whole truth, or explanations of the causes that necessitated foreign action. An example of this practice is furnished by the text-book "Reading of History" (歷史課本), intended for the higher grade elementary school, in which the South Manchuria Railway is described as the "military staff invading Manchuria". A story of "Two Fishermen of Liaotung Peninsula" in the National Language Text-Book of New Doctrine, for higher grade elementary schools; a "Letter from South Manchuria" in the text-book called "One Thousand Character Lessons of the Three Principles", and other stories in other text-books are directed against alleged Japanese actions in Manchuria. These school books were sent to Manchuria and indiscriminately used in Chinese private schools maintained even in the Japanese Railway Zone. The compilers have possibly aimed to inspire patriotism among the younger generation by utilizing such stories of anti-foreign nature, but resort to such means of instilling violent anti-foreign sentiment and creating a rooted prejudice in the susceptible minds of the younger generation can hardly lead to international understanding or peace, or advance China's real welfare; and might result in complications, national and international, in the years to come.

144 Russian Educational Service

Since the building of the Chinese Eastern Railway, a number of primary schools, high schools, commercial schools, language schools, besides technical and medical schools, have been established in the Russian Railway Zone. Some of them were maintained or supported by the Railway, while others were maintained or supported by the municipalities and private associations. Since the Soviet Revolution, however, educational activities in the North have been a great deal checked.

Subsequently, after the Railway had been brought under the joint management of Russia and China, the administrative power in the Railway Zone being restored to China, the Chinese authority claimed to control all schools in the Zone. A compromise agreement was made in December, 1927. By this agreement, the Chinese Eastern Railway

Company is to defray annually 2,400,000 roubles as school expenses of both the Chinese and Russian sides. According to the Annual Report of the Chinese Eastern Railway of 1926, there were 16 Chinese primary or common schools with 1,477 pupils in 1925. Russian common schools numbered 47 with 8,065 pupils in the same year, besides one having a nine-year course at Harbin. In addition, there were 19 common schools supported by the Railway, and seven Russian middle schools partly supported by the Railway.

For professional education, there are a law school, commercial college, normal school, Sino-Russian technical university, and a medical university, all at Harbin. Of these, Harbin Law School maintains several courses of law, economics, commerce, railways, and Oriental economics. This school provides a preparatory course in the Russian language for Chinese students. Its faculty numbered 33 and students 662 in January, 1927. The Sino-Russian Technical University was originally a technical college, established in 1920, but was advanced to university grade in 1923. It has three departments, i. e., civil engineering, electricity and mechanics. The main course of study requires five years, including a preparatory course of three years for Chinese studying the Russian language.

145 Missionaries in Educational Work

Europeans of the Roman Catholic faith, coming from North China missions, are reported to have established themselves in Manchuria in the beginning of the 19th century. After Newchwang was opened to trade, the Scottish Mission and the Presbyterian Church of Ireland started missionary work at this port, and gradually expanded to Mukden, Kirin and Liaoyang. The Danish Missionary Society (Danske Missionsselskab) commenced work soon after the Sino-Japanese war, at Port Arthur, and later penetrated to Fenghuangcheng, Antung, and North Korea. With the Boxer trouble, and up to the end of the Russo-Japanese war, the work of foreign missionaries was checked, but they resumed activities after the war.

Foreign missions are also participating in educational and medical work. It was reported in 1917 that there were several kindergartens, 200 primary schools, 36 primary schools of higher grade, and 20 middle schools in existence. Of schools of college grade, the Theological College, Manchurian Christian College (College of Literature), and Mukden Medical College were maintained by the missionaries.

Those schools maintained by foreign missions in 1929 in Manchuria

numbered 173 and the students aggregated 4,428 as shown in the table below:

Provinces	Primary School				Middle School				Medical College	Theological College	Kindergarten	Blind School	Deaf-mutes' School	Total
	Lower		Higher		Lower		Higher							
	Girls	Boys	Girls	Boys	Girls	Boys	Girls	Boys						
Mukden .	29	52	13	17	2	6	1	1	1	1	7	1	1	132
Kirin.....	8	9	5	9	—	1	—	—	—	—	2	—	—	34
Amur ...	2	3	1	1	—	—	—	—	—	—	—	—	—	7
Total of Schools.	103		46		9		2		1	1	9	1	1	173
Total of Students	2,255		530		1,078		110		90	35	270	40	20	4,428

XII SANITATION

146 Sanitary Condition in Manchuria

Contrary to conditions in a tropical country, Manchuria, lying in the temperate zone like the northern part of Europe, in which climate, humidity and rainfall are very similar, should be a healthy land in which to live. Various plagues and infectious diseases, however, have often threatened both human beings and cattle. Until very recently, even important towns and crowded quarters everywhere were normally in filthy condition and hygienic administration completely neglected.

With the Russian advent, modern systems of hospitals and water-works were introduced in the Railway Zone. During the Russo-Japanese war, the Japanese Army at once set up with characteristic thoroughness the most complete hygienic measures in South Manchuria, then under military occupation. With the restoration of peace, Baron Goto (later Count), the first President of the South Manchuria Railway Company, then acting as Adviser to the Kwantung Government, being himself a physician, took the initiative in adopting thorough sanitary measures in the Leased Territory and the Railway Zone. In these regions, public sanitation has made great progress in a quarter of a century. It is a happy omen that the Chinese authorities in Manchuria, stimulated by the example set by the Japanese and Russians, have begun to adopt sanitary measures at least in the principal cities, such as Mukden and Harbin. They have also shown a conciliatory spirit when co-operative measures in preventing pest plagues and cholera were required by the Japanese and other nationals. Foreign missionaries in Manchuria also are participating in the medical service.

147 Japanese Hygienic Services

a Administration

Hygienic administration in the Leased Territory and Railway Zone is controlled by the Police Bureau of the Kwantung Government, but administrative measures in the Railway Zone are entrusted to the Local Affairs Department of the South Manchuria Railway. Quarantine and other hygienic matters in the harbours of Dairen and Port Arthur come under the jurisdiction of the Marine Bureau of the Kwantung

Peninsula. Bacteriological laboratories were established by the S. M. R. respectively in Mukden, Newchwang, Antung, Changchun and Fushun. To each laboratory medical experts and officers are attached to enforce epidemic prevention measures.

b Hygienic Institute

With regard to hygienic investigation, or laboratory work, i. e., the examination of human and animal epidemics, bacteriological tests, tests of medical and chemical substances, food and drink, these were originally conducted by the Central Laboratory of the Kwantung Government. This laboratory was transferred to the South Manchuria Railway Company in May, 1910, on condition that all hygienic or chemical tests should be made free of charge to the general public. Ever since, the Central Laboratory of the South Manchuria Railway Company has conducted all hygienic investigations and tests side by side with experimental works and the inspection of agricultural and industrial products. But all matters relating to hygienic examination and tests in medical and chemical substances, food and drink, or in bacteriological tests with special reference to epidemic or endemic prevention, were transferred on April 1, 1927, to the newly-established Hygienic Institute of the South Manchuria Railway Company. This institution also manufactures vaccines and serums, disinfectants, etc. for the use of about a million persons annually. These products are distributed at the original cost or free of charge, not only in Manchuria, but in Tientsin and Shantung districts when required. The quantities of vaccines and serums manufactured and distributed in 1928 and 1929 by the Institute are shown as follow:

Year	Vaccines and Serums manufactured (Amounts in c. c.)	Products, sold or distributed (Amounts in c. c.)
1928	21,856,857	21,128,423
1929	25,574,962	25,513,389

c Tuberculosis Sanatorium

Sufferers from consumption in Manchuria form a much higher percentage than is the case in Japan or Korea. In the Japanese Leased Territory and Railway Zone, where the population is over 1,225,000, such cases are estimated at about 60,000, or 4.7 per cent. In commemoration of the fifteenth anniversary of the South Manchuria Railway, the Company contemplated the establishment of a tuberculosis sanatorium. The project was again brought forward on the twentieth anniversary, but it was not carried into effect till 1928, when the Company decided

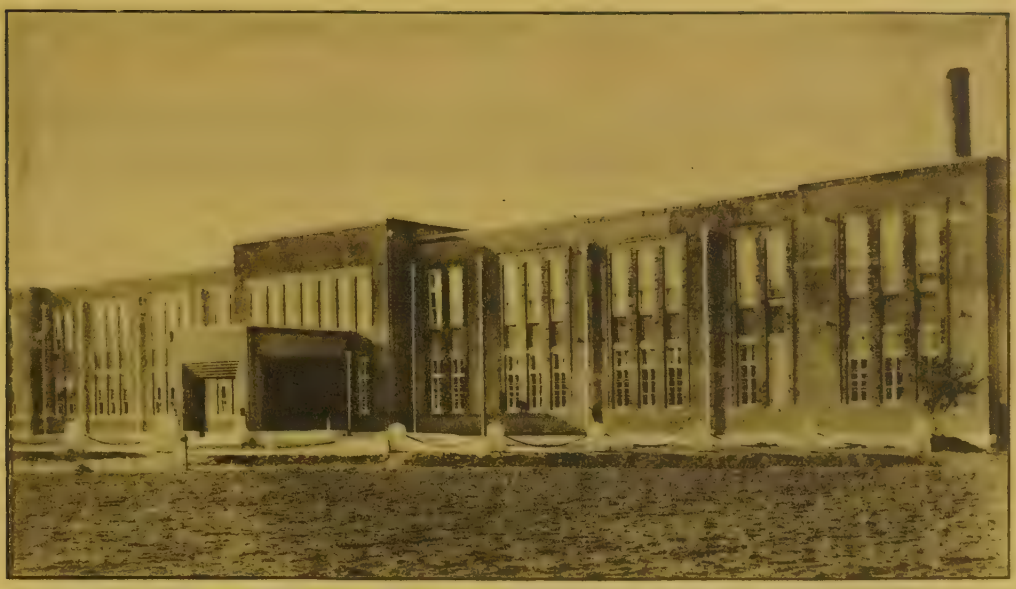
to establish the institution in commemoration of the Imperial Enthronement. As the seat of this sanatorium, the best location, that at Hsiaopingtao (Shoheito), between Dairen and Port Arthur, was chosen. Situated on the hill-side facing the open sea to the south, the position is ideal for such an institution. Land for the use of the sanatorium covers about thirty acres (35,000 tsubo). It was partly purchased from private individuals, but most of it is leased from the Government of Kwantung Province.

The main building is of three storeys, brick construction, and the floor space aggregates 6,950 square metres. The cost of the main building, with nurses' dormitory, was over 628,000 yen, and equipments and facilities over 106,000 yen. Construction was commenced in the latter part of 1930 and is to be completed in the present year. Dr. Shigekiyo Endo, a specialist in consumption, was appointed Superintendent of the Sanatorium.

d Medical Treatment

This service is conducted by the Kwantung Government, the South Manchuria Railway Company, and the Red Cross Society of Japan.

The Kwantung Government Hospital was established in November, 1907, at Port Arthur. The building of a Red Cross Hospital under the Russian *régime* was purchased from Russia and utilized for the use of the new hospital. Considerable architectural alterations and extensions were made in past years, so as to facilitate different branches of treatment, and providing accommodation for 118 in-patients. The Government also maintains isolation hospitals at Dairen and Port Arthur for the treatment of victims afflicted with any of the legally specified infectious diseases. Each is located on a high, dry hill and equipped with up-to-date appointments. The Hospital at Port Arthur can take care of 100 inmates, and that at Dairen 250. In addition, there are two women's hospitals, one at Port Arthur and the other at Dairen, principally taking care of prostitutes. In order to extend medical treatment to the people in districts remote from Dairen and Port Arthur in the Leased Territory, the Government maintains officially appointed district physicians in thirteen towns. The chief function of these physicians is to participate in sanitary administration, especially in vaccination, and in their spare time they give medical aid to the people. In the case of poor Chinese patients, medicine is furnished without charge. To these official physicians, the Government makes a monthly allowance, provides official residences, and furnishes medicine and medical apparatus. The



Hygienic Institute maintained by the S. M. R., Dairen

Incubating Small-pox Vaccine on Bull

Testing Vaccine Products

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following table shows the number of patients treated in past years by the Government Hospitals and district physicians:

	No. of Day Patients				
	1911	1916	1921	1926	1929
Kwantung Government Hospital ...	117,299	145,823	136,018	153,830	150,756
Isolation Hospital at Port Arthur...	—	—	2,783	10,004	5,185
Isolation Hospital at Dairen	—	—	20,207	34,750	17,221
Women's Hospital at Port Arthur...	—	—	8,961	7,180	8,002
Women's Hospital at Dairen	—	—	50,086	31,210	25,738
District Physicians	31,334	60,656	193,252	136,988	95,945
Total.....	148,633	206,479	411,307	373,962	302,847

The South Manchuria Railway Company maintains a most extensive system of medical institutions in Manchuria. There are hospitals in Dairen, Shakako, Mukden, Antung, Newchwang, Tashihchiao, Wafangtien, Liaoyang, Anshan, Fushun, Tiehling, Kaiyuan, Ssupingkai, Kungchuling, Kirin, Penhsihu, and Changchun, along the Railways, and a hospital at Harbin. Branch hospitals are maintained in the Chinese towns of Dairen, Mukden, Newchwang, and Changchun, principally for the purpose of extending the benefit of modern medical treatment to the Chinese. Branch hospitals are also maintained at Chinchou and Shakako. That is to say, fifteen hospitals and six branch hospitals are maintained by the South Manchuria Railway Company. For the building and equipment of these institutions over 14,000,000 yen has been spent in past years, and about 2,500 in-patients can be accommodated. The hospitals, of course, vary in size. Dairen Hospital is the largest, consisting of ten divisions — surgery, gynaecology, ophthalmology, children's clinic, rhino-laryngo-otology, physical treatment, dentistry, and laboratory. The last mentioned division is subdivided into bacteriological, pathological, and chemical sections. Next come the hospitals at Mukden and Fushun, each of which has large modern accommodation. Mukden Hospital, attached to the South Manchuria Medical College, has also several divisions each provided with the latest medical appliances, so that the newest inventions or devices are in practical use besides being utilized for class-work at the college. Other hospitals have also separate divisions according to local requirements.

The medical force engaged at these hospitals numbered 114 superintendents and physicians, 31 pharmaceutists, 68 clerks, 524 nurses and midwives, 28 engineers, and 606 other employees, making a total 1,482, at the end of March, 1930.

The following table shows the progress of medical treatment during the last twenty-three years:

Year	Number of Patients (Day treatment)			Account		
	In-patients	Out-patients	Total	Income	Expenses	Deficit met by Company
1907–8	31,704	230,868	262,272	41,352	185,473	144,131
1908–9	87,346	368,617	455,963	145,518	250,749	105,231
1909–10.....	118,306	467,016	585,322	184,267	328,226	143,959
1910–1	165,989	647,942	813,831	247,760	504,072	256,312
1911–2	196,601	466,682	663,283	299,065	517,790	218,725
1912–3	214,917	489,803	704,720	418,834	643,146	224,312
1913–4	272,675	597,641	870,316	524,881	719,667	194,786
1914–5	326,032	693,827	1,019,920	655,948	843,709	187,761
1915–6	343,039	724,893	1,067,932	709,742	832,452	122,710
1916–7	386,713	827,036	1,213,749	830,160	949,497	119,337
1917–8	438,313	949,013	1,387,326	973,215	1,152,272	179,057
1918–9	505,591	1,081,796	1,587,387	1,285,739	1,705,473	419,734
1919–20.....	544,999	1,155,313	1,700,312	2,014,230	2,930,917	916,687
1920–1	529,991	1,146,280	1,667,271	2,469,576	3,326,434	856,858
1921–2	476,080	1,192,541	1,668,621	2,360,141	3,020,276	660,135
1922–3	462,633	1,226,709	1,689,342	2,309,796	2,979,901	670,105
1923–4	483,838	1,313,430	1,797,258	2,485,180	3,259,186	774,006
1924–5	528,314	1,432,418	1,960,732	2,739,523	3,616,338	876,810
1925–6	536,580	1,313,407	1,849,987	2,753,842	4,419,879	1,666,027
1926–7	635,042	1,396,842	2,031,884	3,156,674	4,617,541	1,460,867
1927–8	695,432	1,706,295	2,401,727	3,702,898	4,462,218	759,320
1928–9	719,029	1,664,789	2,383,818	3,892,974	4,269,074	376,100
1929–30.....	742,280	1,632,127	2,374,407	4,042,410	4,240,603	198,193

In addition to the above record, the work of the district physicians appointed by the South Manchuria Railway Company must not be overlooked. These medical officers are stationed in towns and districts in Manchuria and Eastern Inner Mongolia, supervising sanitary work, conducting vaccination, and giving general medical aid to the needy. Medicine is furnished free or at lowest cost. In ten places in the Railway Zone, far from hospitals, visiting nurses give their service as midwives and in first aid.

The Red Cross Society of Japan also is active in Manchuria. During the Russo-Japanese war, the Society engaged in relief work and medical treatment of the Chinese refugees. After the war the Chinese, the Russians, and the Japanese in Manchuria, interested in the work of the Society, welcomed the establishment of branches. There are now fifteen of these, and thirteen sub-branches in different districts. A Red Cross Hospital was duly established in Mukden. The members of the Society in Manchuria gradually increased to 83,112, of which 42,180 are Japanese and 40,932 Chinese, Russians and other foreigners, as the figures existed at the end of the year 1928. The Society also engages

in preventive measures and propaganda on tuberculosis, and has often sent its physicians to the interior where medical treatment is given free of charge to the poor. At times of political disturbance, such as the commotion at Fenghuangcheng in 1912, the Chengchiatun incident in 1916, the first and second Mukden-Chihli collisions respectively in 1922 and 1924, and Kuo Sung-ling's rebellion in 1925, the Society gave the most liberal medical treatment and aid to the calamity-stricken troops and refugees.

Those who had received medical treatment and other aid from the Society in Manchuria up to the end of December, 1928, numbered more than 1,164,131 persons.

e Medical Education

It was vitally important to diffuse sanitary and medical knowledge and skill in Manchuria and Mongolia in order to promote the general welfare. The dreaded pneumonic plague, which broke out in the winter of 1910–11, and swept over Mongolia and Manchuria claiming 50,000 victims, attracted the eyes of the whole medical world to these regions, and resulted in the assembly of the International Plague Conference at Mukden at the end of the visitation. A medical college was contemplated by the South Manchuria Railway Company, chiefly in order to train Chinese physicians, and this finally came into existence in June, 1911, at Mukden, being named the South Manchuria Medical College. Its principal course is of four years, with one year of post-graduate work. The Military Inspector-General of the Three Eastern Provinces and the Military Commander of Mukden Province were made honorary presidents, and the Governor of the Province and Director of the Board of Education were made honorary advisers. One of the secretaries was elected from among the Chinese. While the annual tuition fee for Japanese students was 45 yen, Chinese students were admitted free of charge. In May, 1922, this medical college was promoted to university standing, and named Manchuria Medical University, a preparatory course being added, extending for three years. The tuition fee in the university course for the Japanese student is 80 yen, and 45 yen in the preparatory course. The Chinese student is now charged one-half of these rates.

The South Manchuria Railway Company had invested over 2,500,000 yen in the buildings, apparatus, and library of this medical school up to the end of March, 1928, and is annually spending about 800,000 yen for maintenance.

Regular courses of instruction in nursing and pharmacy are given in all hospitals maintained by the South Manchuria Railway Company.

f Water Works and Sewage

Well-water used in the towns of Manchuria was the prime cause of epidemic disease, owing to infiltration from open drains and other unclean sources. The construction of water works in Manchuria where the general knowledge regarding sanitary matters was still backward was considered important. Pressed specially by the necessity of supplying clean water in the open ports and in places thickly populated, the Kwantung Government and the South Manchuria Railway Company in 1907 started to provide modern water works in the Leased Territory and in the Railway Zone.

During the Russian *régime*, water works on a small scale were provided at Port Arthur, Dairen, and a few other places, but chiefly for the use of the Russian troops and railways.

Water works at Dairen, Port Arthur, and Chinchou were constructed and maintained by the Kwantung Government. Dairen being one of the largest ports in the Orient, as population and shipping are increasing year by year, its water works were planned on a large scale and have been further enlarged. The daily capacity is 24,600 tons. Up to 1928, 7,194,000 yen had been spent on the Dairen Water-works as construction expenses, 569,000 yen on Port Arthur Water-works, and 296,000 yen on the Chinchou Water-works, making a total of 8,059,000 yen.

Up to 1929, the South Manchuria Railway Company had provided water works in twenty-four urban districts along the Railway, including one at Shakako, a suburb of Dairen. In this year, 9,530,000 cubic metres of water were supplied. The aggregate cost of construction of these works amounted to about 9,110,000 yen. Up to 1920, the income from the water rate did not cover costs, but to-day it meets expenses. A population of 300,000 now enjoy the benefit of properly filtered water in the Railway Zone.

Experts of the Hygienic Institute and Hospitals examine the drinking-water of the Zone every month, and inspect all the wells in the Zone twice a year.

Regarding sewage, a modern system is established at Dairen, the cost aggregating 2,871,000 yen up to March 31, 1926, and at Port Arthur, the cost being 250,000 yen. In all important cities and towns along the Zone the South Manchuria Railway Company has installed modern sewage.

148 Chinese Hygienic Service

It would seem that the Chinese did not take medical service in Manchuria into serious consideration until the International Plague Conference, which met at Mukden immediately after the extermination of the dreadful bubonic plague outbreak in the winter of 1911–2, when it was proposed that China should establish Plague Prevention Hospitals at five places. Following this proposition, China established four hospitals, respectively in Harbin, Heiho, Sanhsing and Tungchiang up to 1914. This was the first attempt to establish medical institutions by the Chinese in Manchuria. These hospitals were primarily intended to maintain preventive measures against plague, but normally engage in the usual work of a hospital in treating the general public.

The North-Eastern Hospital was established in 1921 in Mukden, when the first civil war between Chihli and Mukden provinces took place, and was originally a military hospital. It has three departments, i. e., medical and surgical, and wards for infectious diseases.

149 Russian Hygienic Service

During the Russian *régime*, the Harbin Municipality contemplated establishing a municipal hospital in 1909. Owing to the lack of funds, however, the scheme was not realized until 1914. This hospital maintains three physicians, and six assistants, and has 160 beds.

The important hospitals are those maintained by the Chinese Eastern Railway. They are eight in number, and are at Harbin, Pogranitchnaya, Hengtaohotzu, Fuhailaerhchi, Puhatu, Hailar, and Manchuli.

The table below gives details of Chinese Eastern Railway hospitals:

Year	No. of Medical Staff			No. of Patients		
	Physicians	Assistants	Other Employees	No. of Beds	No. of Patients	No. of Days' Treatment
1924	21	68	188	493	10,313	201,731
1925	22	71	195	565	10,356	206,367
1926	23	81	208	623	11,201	227,439

Of these railway institutions, the Central Hospital and Hospital for the Insane are maintained at Harbin.

It should be remembered that these hospitals underwent a change in management when the Chinese Eastern Railway was brought under the joint control of the Mukden Government and Soviet Russia in 1924. Two-thirds of the staffs are Russian and the remainder Chinese.

Besides these hospitals, the Chinese Eastern Railway maintains

thirteen physicians and four dentists, who visit the schools twice a year and give medical aid and dental treatment to the school children. Those receiving such treatment during 1925 and 1926 numbered over 12,000.

150 Foreign Missionaries' Medical Service

Of the medical service rendered by foreign Missions in Manchuria, the Mukden Hospital was established as early as 1882 by Dr. Dugald Christie, of the Scottish Missionary Society. The hospital maintains two departments, i. e., Men's Hospital and Women's Hospital. According to the report of the hospital for 1929, the Men's Hospital received 51,052 day out-patient visitors and treated 1,782 day in-patients, while the Women's Hospital treated 21,002 day out-patients and 1,666 day in-patients.

151 Plague Prevention Co-operative Measures

During the last two decades, Manchuria was visited several times by the most fatal infectious diseases — the pneumonic plague in 1910–11, cholera epidemic in 1919, the pneumonic plague in 1920–21, and the same in 1927. The plague in 1910–11 was most dreadful, and spread from its source in Trans-Baikal to the southernmost point in Shantung, through Manchuria, a distance of about 3,000 miles, with the result that 50,000 victims were reported, mostly in Manchuria. In 1910–11, co-operative preventive measures were taken by the Chinese, Japanese and Russian authorities concerned, but their application was rather late and failed to prevent heavy mortality. Profiting by past experience, when plague again broke out in 1920–21, co-operative measures were more promptly applied and the disease kept within the affected districts, in North Manchuria along the Chinese Eastern Railway, the number of deaths being 7,600. In 1927–30, when the plagues broke out in Paiyintala prefecture, Eastern Inner Mongolia, they were kept within narrow limits, and although Paiyintala is today connected by railway with the South Manchuria and Chinese Eastern lines, not a single case appeared in North or South Manchuria.

152 Anti-Plague Campaign in 1910–11

It is of interest to give in more detail an account of the anti-plague campaign undertaken by the Chinese, Japanese and Russians in Manchuria. It is believed that the tarbagan, a Siberian rodent, was the

medium of infection. Pneumonic plague in 1910–11 started with some bubonic cases which broke out in the Trans-Baikal as early as August, 1910, among Russian hunters of the tarbagan. "It gradually spread and later assumed pneumonic features with coughing and bloody sputum." Chinese attendants on these Russian sufferers were attacked, became frightened and escaped to Manchuli, where several cases occurred. The disease spread with alarming rapidity in the towns along the Chinese Eastern Railway in September. When Dr. Yasunobu, superintendent of the Dairen Hospital, was sent at the end of October to Harbin to investigate the plague condition in North Manchuria, the plague already had penetrated Harbin, where several cases broke out. There was an alarming tendency for the disease to move south, at a time when most of the Shantung coolie immigrants were returning to the home province for the New Year festival. The South Manchuria Railway immediately instituted precautionary measures along the Railway Zone, in co-operation with the Kwantung Government. Changchun reported the first case in November, and Mukden soon afterwards. Railway quarantine inspection was inaugurated at the Changchun, Mukden, and Wafangtien stations in November; and two quarantine physicians boarded each train south bound from Changchun. On the last day of December, a case of the plague appeared in a train, and several victims among other Chinese coolie passengers were found. The plague finally penetrated Dairen, where the first case was reported on January 5, 1911.

In North Manchuria, specially in Harbin, the epidemic was becoming more violent, and "between 140 and 180 were dying every day out of the small population of 25,000 in Fuchiatien, the Chinese quarter of Harbin." Hundreds of corpses were piled or scattered on the streets and in open fields until Dr. Woo Lien-teh, a Chinese physician of outstanding ability, who was sent by the Peking Government to Harbin in December, 1910, obtained Imperial sanction for the cremation of the dead on the last day of January, 1911, as the result of an urgent appeal. Most of the Chinese in Harbin were fleeing in all directions, on foot and by cart and train. Confronted with such a serious menace of the plague from the North, the Kwantung Government and the S. M. R. took more positive steps in the anti-plague campaign. Passengers, especially Chinese coolies coming from the plague zone of the North, were segregated at Changchun Station and isolated for certain days, not to be released until they had been proved free from contagion. An Extraordinary Epidemic Prevention Headquarters was established at Dairen on the 15th January, with a view to effecting more uniform and effective measures by maintaining communication

and co-operation with the Japanese Consular authorities and army in Manchuria.

In order to prevent the spread of the plague to Japan and other countries, through shipping, a thorough system of health inspection was adopted at the ports of Dairen and Port Arthur, when passengers or cargoes going abroad were subjected to rigorous quarantine inspection.

On the other hand, the Government-General of Korea provided thorough precautionary measures against the possible spread of the dread disease from Manchuria to Korea. Soon after the pest broke out on January 16, at Chikuanshan on the Antung-Mukden line, 50 miles from the Korean boundary, a sentry cordon running over 100 miles along the Yalu River, manned by a force of over 2,000 policemen, gendarmes and others, was established. The river, being frozen, afforded easy access to Korea by the Chinese masses. By the stringent measures taken, however, unrestricted entrance to Korea was prevented, and passage being provided for at certain specified points, travellers were allowed to cross the river only after several days' detention.

The Japanese Home Government under the Premier Prince Katsura, regarded the plague raging in Manchuria as the most serious menace to humanity, a danger to the world at large, if it should spread outside Manchuria. The Government appropriated one million yen to reinforce the anti-plague campaign funds in Manchuria. Simultaneously, Dr. Kitazato, the famous bacteriologist, accompanied by Director Yegi, of the Colonial Bureau, was sent to Manchuria to ascertain the actual conditions.

It was found that, no matter what preventive measures might be taken in the area of Japanese jurisdiction, the Railway Zone and Leased Territory, the efficiency of the anti-plague campaign could not be maintained without the full co-operation of the Chinese authorities in the areas contiguous to the Japanese jurisdiction. The South Manchuria Railway offered 150,000 yen to the Government-General of the Three Eastern Provinces at Mukden, and suggested prompt action in the formation of Sino-Japanese co-operative measures. On February 11, the Governor-General of the Kwantung Peninsula, General Oshima, called on Governor-General Hsi Liang, of the Three Eastern Provinces, and the Sino-Japanese Co-operative Plague Prevention Conference came into existence on Feb. 28. Subsequently the Extraordinary Epidemic Prevention Headquarters maintained by the Japanese at Dairen were transferred to Mukden, and the anti-plague campaign was carried on in co-operation with the Chinese authorities.

In North Manchuria, when Dr. Woo Lien-teh obtained Imperial

sanction from Peking for the cremation of the plague vicitims, unburied coffins and corpses in Harbin were piled together, kerosene oil poured over them, and they were fired. Thus the Chinese quarter in Harbin was purified while other preventive measures were rigorously enforced.

The plague in Manchuria rapidly declined, and was practically exterminated by the middle of March. In the Japanese Leased Territory and Railway Zone the last case was disposed of at Kungchuling on March 18, 1911.

According to the statement made by the Chinese authorities, the total victims of the plague of 1910–1 aggregated 60,000, including 7,000 in Harbin, 6,000 in Changchun, and 5,000 in Mukden. Within the Japanese jurisdiction of the Leased Territory and Railway Zone, the total cases reported numbered 228.

In the anti-plague campaign in 1910–11, the sum of 2,559,685 yen was spent by the Japanese authorities, apportioned as follows:

Home Government	1,000,000
Kwantung Government	684,075
South Manchuria Railway Company	860,863
Japanese Hygienic Associations in Manchuria	14,747
Total	2,559,685

In addition, the sum of 142,000 yen was spent by the Government-General of Korea. The peninsula completely escaped invasion of the plague from Manchuria, not a single case being reported.

153 Anti-Plague Campaigns in 1917–21

In December, 1917, the pest again broke out, this time in the Paotouchen district of Mongolia, and spread to Shansi Province. When it reached Peking, Dr. Tsurumi, of the S. M. R. was despatched to Peking to watch the movement. The plague travelled further south, in the direction of Nanking via Tsinan. It is said the plague invaded nine provinces of China proper and claimed 16,000 victims. At this time Manchuria fortunately escaped from the invasion.

Two years later, Manchuria was invaded by cholera, but from South China. The cholera first broke out in India, in the spring of 1919, and travelled to South China by the sea route. The Japanese Consular authorities in Hsientou, Fuchou, and Shanghai frequently reported, in June, that cholera cases were occurring in their respective districts.

While the Kwantung Government, in co-operation with the South

Manchuria Railway Company at Dairen, and later in co-operation with Chinese Customs authorities at Newchwang, prepared special quarantine inspection for ships from the Shanghai district, the first case broke out at Dairen on July 9, and several at Newchwang on the 8th. The outbreak at Newchwang gradually penetrated along the Railway to Mukden, from which it travelled in a northern direction to Changchun, Kirin, Harbin, Tsitsihar, and in an eastern direction to Antung; the plague case landed at Dairen gradually spread the disease in the Japanese Leased Territory and the southern part of the Railway Zone. Detention stations, together with isolation houses, were erected at Dairen, Port Arthur, Mukden, Newchwang, and other important towns along the railway. Moreover, disinfecting arrangements were provided on fifteen passenger trains. As the epidemic assumed a more serious aspect, the Kwantung Government, in conjunction with the S. M. R., organized an Extraordinary Epidemic Headquarters at Mukden, where, because of its central location, the anti-plague campaign might be better directed and controlled. In this campaign, at the outset, more than 200 police and 100 quarantine officers were employed besides several hundred officers and employees of the S. M. R. This was soon found insufficient, and 158 police officers and 71 preventive experts were engaged from Japan. Dr. Miyajima, of the Kitazato Bacteriological Institute, Tokyo, also visited Manchuria as an adviser in the campaign.

The epidemic was suppressed in October, 1919. The total number of cases treated in the Leased Territory and the Japanese Railway Zone was 2,935, of which 2,555 were Chinese, 433 Japanese, and 47 Koreans. According to a report made by the Chinese authority, the total number of persons affected by the plague outside Japanese jurisdiction was 45,251, and deaths 27,288. In this campaign, about a million yen was spent as extraordinary expenses by the Japanese, apportioned as follows:

First Outlay by the Kwantung Government	80,000
Second „ „ „ „	238,000
Contribution by S. M. R.....	360,000
S. M. R.'s own Outlay	330,504
Total	1,008,504

In the pneumonic plague outbreak of 1920–1, the first case, in bubonic form, broke out at Abakait, near Manchuli, and was reported in August, 1920. In September it appeared at Hailar, and turned to the pneumonic form in December. It gradually spread eastward, finally to Vladivostok, along the Chinese Eastern Railway, in January, 1921,

Citellus, or Mus Wagneri Manchu, having Close Relation with the Origin of the Plague in Inner Mongolia

Corpses of Plague Victims at Fuchiatien, the Chinese quarter at Harbin, 1911

Plague Victims removed from Isolation House by Japanese Quarantine Officers at Changchun, 1911

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from Harbin. When the plague was contaminating Hailar and Dalainor in December, the Russian authorities attached so-called "hygienic cars" with a quarantine officer and nurses, to each passenger train. When Harbin was about to be menaced, the Chinese Eastern Railway invited the Chinese, Japanese and Russian authorities to a conference, which was held on January 6 to discuss and arrange co-operative measures of plague prevention, while the Harbin Extraordinary Plague Prevention office was created by the Chinese authorities at Fuchiatien, the Chinese quarter at Harbin. As on the Japanese side, information on the plague movement was received from the Japanese Consular and other sources, since the plague appeared in Hailar in September, 1920. When it penetrated Harbin in January, the Kwantung Government, in conjunction with the S. M. R., organized a quarantine office at Changchun, the junction station of the S. M. R. and Chinese Eastern Railways, with the object of preventing the southward march of the plague. At Changchun, Mukden, Kaiyuan and Tashihchiao, railway sidings were laid, and freight cars were kept at these sidings for the accommodation of victims. Several detaining stations were put up at Changchun, capable of accommodating over 2,000 patients. Third-class passengers, chiefly Chinese coolies, who intended to change cars after travelling on the Chinese Eastern or the Kirin-Changchun line, were detained for five days, and none other than those provided with certificates of good health was permitted to continue the southward journey. In order to make the frontier prevention work more effective, such as preventing many southbound coolies travelling on foot, closer co-operation of the Sino-Japanese authorities was maintained by frequent conferences. In the anti-plague campaign of 1920–1, the harmonious co-operation between the Chinese, Japanese and Russian authorities enabled them to check effectively the spread of the plague, so that it was eliminated in North Manchuria, the total victims numbering 7,710, of whom 6,957 were in the Chinese Eastern Railway Zone, 640 in Vladivostok, 29 within the city wall of Changchun, 35 outside the Railway Zone between Changchun and Mukden, and 30 within the Railway Zone in this area. That is to say, cases in the Railway Zone of South Manchuria numbered only thirty. In this anti-plague campaign, about half a million yen was spent on the Japanese side by the Kwantung Government and the S. M. R. Doubtless, the expenditure incurred by the Chinese and Russians was still greater.

154 Plagues in Inner Mongolia 1927–30

Pneumonic plague in recent years broke out in Inner Mongolia. When such cases occurred in September, 1927, at Dangli, 125 Chinese miles north from Paiyintala, Eastern Inner Mongolia, which were reported by the Japanese Consul at Paiyintala, Dr. Otsuki, of the Kwantung Government, and Drs. Kanai and Hado, of the S. M. R., were sent to Paiyintala. A conference with Chinese authorities was held at the Japanese Consulate to discuss preventive measures, and those in the Paiyintala district were left to Chinese execution. On the other hand, the South Manchuria Railway provided all possible plague preventive measures at Ssupingkai, the junction of the Paiyintala-Taonan-Ssupingkai Railway, and at Mukden Station, while the Chinese Eastern Railway provided similar measures at Changchun, specially for north-bound passengers. Fortunately, the plague in Paiyintala Prefecture was finally exterminated at the end of November, with 500 victims, and no single case was reported in either North or South Manchuria.

In July, 1928, the plague broke out again in Paiyintala Prefecture. The South Manchuria Railway with the co-operation of the Kwantung Government immediately executed preventive measures against the penetration of the plague into the Railway Zone and Leased Territory, establishing quarantine offices at Ssupingkai, Changchun and Newchwang. On the Chinese side, a quarantine contingent, headed by Dr. Woo Lien-teh, was established at Chienchiatien, a centre of the plague district. The plague was finally eradicated in the latter part of November. Of the total number of suspected cases reported, as many as 1,300 proved to be plague victims, and the deaths numbered 378. Plague repeatedly broke out in the summer of 1929 and 1930 in Inner Mongolia. On each occasion the South Manchuria Railway promptly instituted preventive measures at Ssupinghai station.

The tarbagan, or similar wild rodent in Trans-Baikalia and Outer Mongolia, on the Siberian border of Manchuria, was regarded as the actual medium of the pest. But there is no evidence of the existence of the tarbagan in Inner Mongolia. In order to discover the actual source of the plague in Inner Mongolia, medical experts of the South Manchuria Railway and the Railway's Hygienic Institute examined all species of rodents in this region. From October 2 to November 5, 1928, 57,216 rats in Teichiatun and Chienchiatien, the centre of the plague in Inner Mongolia, were acquired and tested. Among several species of wild rats, that called "Citellus" (*Mus wagneri manchu*) was proved to have a close relation with the origin of the plague in Inner Mongolia.

155 International Plague Conferences in Manchuria

Soon after the dreadful visitation of 1910–11, an International Plague Conference was held at Mukden in April, 1911, at the invitation of the Chinese Government. The participants in this conference were Austria, China, France, Germany, Great Britain, Holland, Italy, Japan, Mexico, Russia, and the United States. These Powers sent experts of high reputation as their representatives, and Japan was represented by Dr. Kitazato, the Superintendent of the Kitazato Bacteriological Institute of Tokyo. The question was discussed whether the tarbagan, or any other wild rodent on the Siberian border of Manchuria or Mongolia, was the actual medium of the pest; and research work concerning the relation of the plague with rodents was entrusted to China and Russia, as having closer relations with the origin of the plague. All matters relating to the disposal of plague victims, cremation, disinfection, etc., were discussed and important resolutions thereupon made. It was resolved that the railway companies in North Manchuria, as well as in South Manchuria should maintain co-operative plague preventive measures. The conference also proposed that the Chinese Government should establish plague prevention hospitals in Manchuria. Acting upon this proposal, the Chinese Government established four hospitals in Manchuria, as stated in Section 125. Later, it was arranged that tarbagan hunters should be registered and receive official permits from the Chinese authorities; further, that two fur-skin disinfecting stations be established at Manchuli and Hailar respectively under medical direction.

With the object of exchanging views on hygienic matters in South Manchuria, the Kwantung Government and the South Manchuria Railway under the auspicies of the League of Nations invited in November, 1925, hygienic experts of different countries to a conference. These included Australia, Dutch East India, Federated Malay States, Hongkong, India, Indo-China, New Zealand, the Philippines, Siam, Straits Settlements, and Japan proper. Several authorities of the Health Section of the League of Nations, including Dr. Woo Lien-teh, Director and Chief Medical Officer of North Manchuria Plague Prevention Service, were present at this international conference, held at Dairen. After the opening address of the Chairman Mr. Fujita, of the Kwantung Government, brief speeches on hygienic administration in the Leased Territory and the S. M. R. area, and on cattle epidemics in Manchuria, were made by the respective authorities, and criticisms and suggestions from foreign delegates on hygiene in South Manchuria were invited, for reference or future use in the further improvement of hygienic practice in Manchuria. Most

of the foreign delegates expressed their unreserved admiration of the Japanese hygienic administration, and the modern equipment extended not to any one group, or particular races, but to all nationals. Among them, Dr. C. Manalang, from the Philippines, said "the Chinese people should congratulate themselves on having with them here some of the ablest Japanese scientists as well as administrators whose primary aim in their activities is for the development of the country and the welfare of its people." Dr. Woo Lien-teh gave an interesting historical sketch of the anti-plague campaign in North Manchuria, particularly referring to the close co-operation between Chinese, Japanese and Russian authorities in matters relating to pneumonic plague.

Finally, Dr. Rajchman, chairman of the Health Section, League of Nations, said in part that holding the sum of 1,000,000 yen in reserve for epidemic prevention by the S. M. R. to be drawn upon whenever emergency required "is without a parallel and is an excellent thing."

156 Cattle Epidemics

Although there were numerous herds of horses and cattle in Manchuria, modern cattle plague prevention measures were not undertaken until the Kwantung Government promulgated the Cattle Epidemic Regulations in 1906, which were subsequently enforced also in the Railway Zone. These Regulations were revised in 1919, and operated in common both in the Leased Territory and Railway Zone.

Most of the cattle epidemics in Manchuria are in the form of rinderpest, anthrax, foot-and-mouth disease, "schweine rothlauf," hog-cholera, rabies, and sheep-pox. The aggregate number of such epidemic cases reported during the ten years from 1916 was 4,052, of which 3,169 occurred in the Leased Territory and 883 in the Railway Zone.

An Animal-Disease Research Institute was established at Mukden in 1925 by the South Manchuria Railway Company at a cost of 250,000 yen, its annual up-keep amounting to 80,000 yen. The Institute manufactures almost every kind of cattle plague vaccine and serum, including hydrophobia vaccine, tuberculine, and mallein. Previously the Leased Territory and Railway Zone received supplies of these anti-cattle plague vaccines and serums from the Agriculture and Forestry Department of the Imperial Government, Tokyo, and the Government-General of Korea. But the Institute today is able to supply not only requirements in South Manchuria, but those of North Manchuria also, if required.

Cattle Epidemic Institute established by the S. M. R., Mukden

Extracting Blood from Cattle

Testing the Blood for Serum Production

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The following table shows the amount of cattle plague vaccine and serum, tuberculine, mallein and other remedies manufactured and distributed or sold during recent years:

Year	Amount transferred from previous year in c.c.	Amount manufactured in c. c.	Amount Sold in c. c.	Outstanding at year end in c. c.
1926	—	427,975	195,680	242,295
1927	242,295	372,275	181,930	432,640
1928	432,640	374,605	495,450	311,795
1929	311,795	788,725	828,545	271,975

APPENDICES

Texts of Treaties, Protocols, Agreements, Notes, and Statutes of the Powers concerning Manchuria.

No. 1

Provision relating to Cession of Liaotung Peninsula to Japan in Treaty of Shimonoseki — April 17, 1895

" ARTICLE II.—Cession of part of Fengtień Province.—China cedes to Japan in perpetuity and full sovereignty the following territories, together with all fortifications, arsenals, and public property thereon :

" (a) The southern portion of the province of Fengtien, within the following boundaries :—

" The line of demarcation begins at the mouth of the River Yalu and ascends that stream to the mouth of the River An-ping ; from thence the line runs to Feng-huang ; from thence to Haicheng ; from thence to Yingkou, forming a line which describes the southern portion of the territory. The places above named are included in the ceded territory. When the line reaches the River Liao at Yingkou, it follows the course of that stream to its mouth where it terminates. The mid-channel of the River Liao shall be taken as the line of demarcation.

" This cession also includes all islands appertaining or belonging to the province of Fengtien, situated in the eastern portion of the Bay of Liaotung and in the northern part of the Yellow Sea.

" (b) The island of Formosa, together with all islands appertaining or belonging to said island of Formosa.

" (c) The Pescadores Group, that is to say, all islands lying between the 119th and 120th degrees of longitude east of Greenwich and the 23rd and 24th degrees of north latitude."

No. 2

Notes of Russia, France and Germany recommending Retrocession of Liaotung Peninsula — April 23, 1895

(a) Recommendation du Ministre de Russe à Tokyo.

Le Gouvernement de Sa Majesté l'Empereur, mon Auguste Maître, en examinant les conditions de paix que le Japon impose à la Chine, trouve que la possession de la presqu'île de Liaotoung réclamée par le Japon, serait une menace constante contre la capitale de la Chine, en même temps qu'elle rendrait illusoire l'indépendance de la Corée, que dès lors elle serait un perpétuel obstacle à une pacification durable de l'Extrême-Orient.

En conséquence la Gouvernement de Sa Majesté l'Empereur, mon Auguste Maître, croit donner une nouvelle preuve de son amitié sincère au Gouvernement de Sa Majesté l'Empereur du Japon en Lui conseillant de renoncer à la possession définitive de la presqu'île de Liaotoung.

(b) Recommendation du Ministre de Françe à Tokyo.

Le Gouvernement de la République Française estime que la possession de la presqu'île de Liaotoung est une menace pour la capitale de la Chine qu'elle rendrait illusoire l'indépendance de la Corée, et serait un obstacle perpétual à la pacification de l'Extrême-Orient. Désireux de donner au

Gouvernement Impérial une nouvelle preuve des sentiments amicaux qui l'animent à l'égard du Japon, le Gouvernement de la République Française croit donc devoir donner au Gouvernement Impérial le Conseil amical de renoncer à la possession définitive de cette presqu'île.

Fait à Tokyo, le 23 avril 1895.

L'envoyé extraordinaire et Ministre Plénipotentiaire de la République Française au Japon. Signé : J. Harmand.

(c) Empfehlungs-Note des Deutschen Gesandten in Tokio.

„ Meine hohe Regierung hat mich angewiesen zu erklären :

„ „ Die Prüfung der japanischen Friedensbedingungen drängt der deutschen Regierung die Überzeugung auf, dass die von Japan verlangte Besitznahme von Liaotoung eine constante Bedrohung der Hauptstadt von China sein und gleichzeitig die Unabhängigkeit Korea's illusorisch machen würde, dass sie sich folglich als dauerndes Hinderniss für den Frieden Ostasiens darstellt. Deutschland räth daher, auf definitive Besitznahme der Halbinsel zu verzichten." "

„ Ich bin beautragt an vorstehende Erklärung folgende Bemerkungen zu knüpfen :

„ „ Japan hat im Verlaufe des gegenwärtigen Krieges mehr als einen Beweis der freundschaftlichen Disposition Deutschlands erhalten. Die von England bereits unter dem 7 *ten* Oktober v. J. vorgeschlagene Einmischung der Grossmächte in den Japanisch-Chinesischen Streit hat Deutschland damals aus Freundschaft für Japan abgelehnt. Ferner hat die Regierung Seiner Majestät des Kaisers unter dem 8. März d. J. der japanischen Regierung Beschleunigung des Friedens und Mässigung in den Bedingungen empfohlen. Im Hindblick auf eine wahrscheinliche, durch China erbetene Intervention der Mächte hat Deutschland damals den unvermittelten Friedensschluss unter billigen Bedingungen als für Japan verhältnissmässig am vortheihaftesten bezeichnet und dabei hervorgehoben, dass die Forderung einer Gebietsabtretung auf dem Festlande *besonders* geeignet seint würde, eine Intervention zu provoziren. Japan hat diese uneigenützigen Ratschläge nicht beherzigt.

Die jetzigen japanischen Friedensbedingungen sind übertrieben ; sie verletzen Europaische, auch Deutsche Interessen, wenn shon letztere in gelingerem Masse.

Die Regierung Seiner Majestät des Kaisers ist daher jetzt heranlasst mit zu protestieren und wird falls erforderlich, ihren Protest auch den nötigen Hochdruck zu geben wissen.

Japan kann daher nachgeben, der Kampf gegen drei Grossmächte aussichtslos." "

No. 3

Treaty of Alliance between China and Russia — May, 1896*

ARTICLE I.—The High Contracting Parties engage to support each other reciprocally by all the land and sea forces in any aggression directed by Japan against Russian territory in Eastern Asia, China or Korea.

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* This Treaty was kept secret until a telegraphic summary of its text was submitted to the Washington Conference of 1920–21 by the Chinese Delegation.

ARTICLE II.—No treaty of peace with an adverse party can be concluded by either of them without the consent of the other.

ARTICLE III.—During military operations all Chinese ports shall be open to Russian vessels.

ARTICLE IV.—The Chinese Government consents to the construction of a railway across the Provinces of Amur and Kirin in the direction of Vladivostok. The construction and exploitation of this railway shall be accorded to the Russo-Chinese Bank. The contract shall be concluded between the Chinese Minister at St. Petersburg and the Russo-Chinese Bank.

ARTICLE V.—In time of war Russia shall have free use of the railway for the transport and provisioning of her troops. In time of peace Russia shall have the same right for the transit of her troops and provisions.

ARTICLE VI.—The present treaty shall come into force from the day on which the contract stipulated in Article IV shall have been confirmed. It shall have force for fifteen years.

No. 4

(CHINA AND RUSSIA)

Contract for the Construction and Operation of the Chinese Eastern Railway — September 8, 1896

Between the undersigned, His Excellency Shu King-chen, Minister Plenipotentiary of His Majesty the Emperor of China, at St. Petersburg, acting by virtue of an Imperial Edict, dated Kuang Hsü, 22nd year, 7th month, 20th day (August 16/28, 1896), of the one part, and the Russo-Chinese Bank, of the other part, it has been agreed as follows:

The Chinese Government will pay the sum of five million Kuping taels (Kuping Tls. 5,000,000) to the Russo-Chinese Bank, and will participate in proportion to this payment in the profits and losses of the bank, on conditions set forth in a special contract.

The Chinese Government having decided upon the construction of a railway line, establishing direct communication between the city of Chita and the Russian South Ussuri Railway, entrusts the construction and operation of this railway to the Russo-Chinese Bank upon the following conditions:

1.—The Russo-Chinese Bank will establish for the construction and operation of this railway a company under the name of the Chinese Eastern Railway Company.

The seal which this Company will employ will be given to it by the Chinese Government. The statutes of this Company will be in conformity with the Russian usages in regard to railways. The shares of the Company can be acquired only by Chinese or Russian subjects. The president of this Company will be named by the Chinese Government, but paid by the Company. He may have his residence in Peking.

It will be the duty of the president to see particularly to the scrupulous fulfilment of the obligations of the Bank and of the Railway Company towards the Chinese Government; he will furthermore be responsible for the relations of the Bank and of the Railway Company with the Chinese Government and the central and local authorities.

The president of the Chinese Eastern Railway Company will likewise

be responsible for examining all accounts of the Chinese Government with the Russo-Chinese Bank.

To facilitate local negotiations, the Russo-Chinese Bank will maintain an agent at Peking.

2.—The route of the line will be determined by the deputies of the president (named by the Chinese Government) of the Company, in mutual agreement with the engineers of the Company and the local authorities. In laying out this line, cemeteries and tombs, as also towns and villages, should so far as possible be avoided and passed by.

3.—The Company must commence the work within a period of twelve months from the day on which this contract shall be sanctioned by imperial decree, and must so carry it on that the whole line will be finished within a period of six years from the day on which the route of the line is definitely established and the lands necessary therefor are placed at the disposal of the Company. The gauge of the line should be the same as that of the Russian railways (5 Russian feet — about four feet, two and one-half inches, Chinese).

4.—The Chinese Government will give orders to the local authorities to assist the Company to the extent of their ability in obtaining, at current prices, the materials necessary for the construction of the railway, as also labourers, means of transport by water and by land, the provisions necessary for the feeding of men and animals, etc.

The Chinese Government should, as needed, take measures to facilitate such transportation.

5.—The Chinese Government will take measures to assure the safety of the railway and of the persons in its service against any attack.

The Company will have the right to employ at will, as many foreigners or natives as it may find necessary for the purpose of administration, etc.

Criminal cases, lawsuits, etc., upon the territory of the railway, must be settled by the local authorities in accordance with the stipulations of the treaties.

6.—The lands actually necessary for the construction, operation, and protection of the line, as also the lands in the vicinity of the line necessary for procuring sand, stone, lime, etc., will be turned over to the Company freely, if these lands are the property of the State; if they belong to individuals, they will be turned over to the Company either upon a single payment or upon an annual rental to the proprietors, at current prices. The lands belonging to the Company will be exempt from all land taxes (impôt foncier).

The Company will have the absolute and exclusive right of administration of this land. (La Sociètê aura le droit absolu et exclusif de l'administration de ses terrains.)

The Company will have the right to construct on these lands buildings of all sorts, and likewise to construct and operate the telegraph necessary for the needs of the line.

The income of the Company, all its receipts and the charges for the transportation of passengers and merchandise, telegraphs, etc., will likewise be exempt from any tax or duty. Exception is made, however, as to mines, for which there will be a special arrangement.

7.—All goods and materials for the construction, operation, and repair of the line, will be exempt from any tax or customs duty and from any internal tax or duty.

8.—The Company is responsible that the Russian troops and war material, despatched in transit over the line, will be carried through directly from one Russian station to another, without for any pretext stopping on the way longer than is strictly necessary.

9.—Passengers who are not Chinese subjects, if they wish to leave the territory of the railway, should be supplied with Chinese passports. The Company is responsible that passengers, who are not Chinese subjects, should not leave the territory of the railway if they do not have Chinese passports.

10.—Passengers' baggage, as well as merchandise despatched in transit from one Russian station to another, will not be subject to customs duties; they will likewise be exempt from any internal tax or duty. The Company is bound to despatch such merchandise, except passengers' baggage, in special cars, which, on arrival at the Chinese frontier, will be sealed by the office of the Chinese Customs, and cannot leave Chinese territory until after the office of the Customs shall have satisfied itself that the seals are intact; should it be established that these cars have been opened on the way without authorization, the merchandise would be confiscated.

Merchandise imported from Russia into China by the railway, and likewise merchandise exported from China into Russia by the same route, will respectively pay the import and export duty of the Chinese Maritime Customs, less one-third.

If merchandise is transported into the interior it will pay in addition the transit duty — equivalent to a half of the import duty collected — which frees it from any further charges.

Merchandise not paying the transit tax will be subject to all the barrier and likin duties imposed in the interior.

The Chinese Government must install customs offices at the two frontier points on the line.

11.—The charges for the transportation of passengers and of merchandise, as well as for the loading and unloading of merchandise, are to be fixed by the Company, but it is obliged to transport free of charge the Chinese official letter post, and, at half price, Chinese land or sea forces and also Chinese war materials.

12.—The Chinese Government transfers to the Company the complete and exclusive right to operate the line on its own account and risk, so that the Chinese Government will in no case be responsible for any deficit whatsoever of the Company, during the time allotted for the work and thereafter for a further eighty years from the day on which the line is finished and traffic is in operation. This period having elapsed, the line, with all its appurtenances, will pass free of charge to the Chinese Government.

At the expiration of thirty-six years from the day on which the entire line is finished and traffic is in operation, the Chinese Government will have the right to buy back this line upon repaying in full all the capital involved, as well as all the debts contracted for this line, plus accrued interest.

If — in case the profit realized exceeds the dividends allowed to the shareholders — a part of such capital is repaid, that part will be deducted

from the price of repurchase. In no case may the Chinese Government enter into possession of this line before the appropriate sum is deposited in the Russian State Bank.

The day when the line is finished and traffic is in operation, the Company will make to the Chinese Government a payment of five million Kuping taels (Kuping Tls. 5,000,000).

Kuang Hsü, 22nd year,
8th month, 2nd day.
(Signed) Shu.

Berlin, August 27/September 8, 1896.
RUSSO-CHINESE BANK.
(Signed) Rothstein.
(Signed) Prince Oukhtomsky.

No. 5

Statutes of Chinese Eastern Railway Company — December 16, 1896

Formation of the Company.—§ 1. On the strength of the Agreement concluded on the 27th August/8th September, 1896, by the Imperial Chinese Government with the Russo-Chinese Bank, a Company is formed under the name of the "Chinese Eastern Railway Company" for the construction and working of a railway within the confines of China from one of the points on the western borders of the Province of Heilungkiang, to one of the points on the eastern borders of the Province of Kirin and for the connection of the railway with those branches which the Imperial Russian Government will construct to the Chinese frontier from Trans-Baikalia and the southern Ussuri lines. [*Observation.* The Company is empowered, subject to the sanction of the Chinese Government, to exploit, in connection with the railway or independently of it, coal mines, as also to exploit in China other enterprises — mining, industrial, and commercial. For the working of these enterprises which may be independent of the railway, the Company shall keep accounts separate from those of the railway.]

The formation of the Company shall be undertaken by the Russo-Chinese Bank.

With the formation of the Company all rights and obligations are transferred to it in regard to the construction and working of the line ceded in virtue of the above-named Agreement of the 27th August/8th September, 1896.

The Company shall be recognized as formed on the presentation to the Minister of Finances of a warrant of the State Bank certifying the payment of the first instalment on the shares. In any case such payment must be made not later than two months from the day of confirmation of the present Statutes.

The succeeding instalments on the shares shall be paid in such orders of gradation that the shares shall be fully paid up at their nominal value not later than one year from the day of formation of the Company.

Owners of shares of the Company may only be Russian and Chinese subjects.

Term of Concession.—§ 2. In virtue of the Agreement with the Chinese Government, the Company shall retain possession of Chinese Eastern Railway during the course of eighty years from the day of the opening of traffic along the whole line.

Obligation towards the Russian Government.—§ 3. In recognition that the enterprise of the Chinese Eastern Railway will be realized only owing to the guarantee given by the Russian Government in regard to the revenue of the line for covering working expenses as well as for effecting the obligatory payments on the bonds (§§ 11, 16), the Company, on its part, binds itself to the Russian Government during the whole term of the Concession under the following obligations:—

(a) The Chinese Eastern Railway with all its appurtenances and rolling-stock must be always maintained in full order for satisfying all the requirements of the service of the line, in regard to the safety, comfort, and uninterrupted conveyance of passengers and goods;

(b) The traffic on the Chinese Eastern line must be maintained conformably with the degree of traffic on the Russian railway lines adjoining the Chinese line;

(c) The trains of all descriptions running between the Russian Trans-Baikal and Ussuri lines shall be received by the Chinese Eastern Railway and dispatched to their destination in full complement without delay;

(d) All through trains, both passenger and goods, shall be dispatched by the Chinese Eastern Railway at rates of speed not lower than those which shall be adopted on the Siberian Railway;

(e) The Chinese Eastern Railway is bound to establish and maintain a telegraph along the whole extent of the line and to connect it with the telegraph-wire of the Russian adjoining railways, and to reserve and dispatch without delay through telegrams sent from one frontier station of the line to another, as also telegrams sent from Russia to China, and conversely;

(f) Should, with the development of traffic on the Chinese Eastern Railway, its technical organization prove insufficient for satisfying the requirements of a regular and uninterrupted passenger and goods traffic, the Chinese Eastern Railway shall immediately, on receipt of a notification on the part of the Russian railways to augment its capacity to a corresponding degree, adopt the necessary measures for further developing its technical organization and the traffic on it. In the event of a difference of opinion arising between the above-mentioned railways, the Chinese Eastern Railway shall submit to the decision of the Russian Minister of Finances. If the means at the command of the Chinese Eastern Railway prove insufficient for carrying out the necessary work of its development, the Board of Management of the railway may at all time apply to the Russian Minister of Finances for pecuniary assistance on the part of the Russian Government;

(g) For all transit conveyance of passengers and goods, as also for the transmission of telegrams there will be established by agreement of the Company with the Russian Government for the whole term of duration of the Concession (§ 2), maximum tariffs, which cannot be raised without the consent of the Russian Government during the whole term above referred to. Within these limits the tariffs of direct communication both for railway carriage and telegrams will be fixed by the Board of Management of the Company on the strength of a mutual agreement with the Russian Minister of Finances;

(h) The Russian letter and parcels-post, as also the officials accompanying the same, shall be carried by the Chinese Eastern Railway free of charge.

For this purpose the company shall set apart in each ordinary passenger train a carriage compartment of 3 fathoms in length. The Russian postal authorities may, moreover, if they deem it necessary, place on the line postal carriages, constructed by them at their own cost; and the repair, maintenance (interior fittings excepted) as well as the running of such carriages with the trains shall be free of charge and at the cost of the railway.

The above-mentioned engagements, by which, as already stated, the grant of a guarantee by the Russian Government is conditioned and the consequent realization of the enterprise of the Chinese Eastern Railway, shall be binding on the railway until the same, after the expiration of the eighty years' term of the Concession, shall without payment become the property of the Chinese Government (§ 29). The redemption of the line from the Company before the above-mentioned term in accordance with § 30 of the present Statutes shall not in any way diminish the effect of the above specified engagements, and these latter, together with the railway, shall be transferred to its new proprietor.

In the same manner during the course of the whole eighty years' term of the Concession (§ 2) the following privileges granted to the railway by the Imperial Chinese Government shall remain in force:—

(a) Passengers' luggage, as also goods, carried in transit from one Russian station shall not be liable to any Chinese customs duties, and shall be exempt from all internal Chinese dues and taxes;

(b) The rates for the carriage of passengers and goods, for telegrams, &c., shall be free from all Chinese taxes and dues;

(c) Goods imported from Russia into China by rail and exported from China to Russia in the same manner shall pay respectively an import or export Chinese duty to the extent of one-third less as compared with the duty imposed at Chinese seaport customs-houses;

(d) If goods imported by the railway are destined for conveyance inland they shall in such case be subject to payment of transit duty to the extent of one-half of the import duty levied on them, and they shall then be exempted from any additional imposts. Goods which shall not have paid transit duty shall be liable to payment of all established internal barrier and likin dues.

Immunities of the Company in regard to Russian Customs Dues.—§ 4. In regard to the place of acquisition of materials for the requirements of the railway, the Company shall not be liable to any limitations.

If materials be obtained beyond the confines of Russia, they shall, on importation through Russian territory, be freed from payment of Russian customs duties.

Technical Conditions; Periods of Time for the Commencement and Termination of the Works.—§ 5. The breadth of the railway track must be the same as that of the Russian lines (5 feet).

The Company must commence the work not later than the 16th August, 1897, and conduct it in such a manner that the whole line shall be completed not later than six years from the time when the direction of the line shall be finally determined and the necessary land assigned to the Company.

When tracing the line of the railway, cemeteries and graves, as also towns and villages, must as far as possible, be left aside of the railway.

When effecting the connection, in accordance with § 1 of these Statutes, of the Chinese Eastern Railway with the Russian Trans-Baikal and South Ussuri lines the Company shall have the right, with a view to reduction of expenditure, of abstaining from building its own frontier stations and of utilizing the frontier stations of the above-named Russian lines. The conditions on which they shall be utilized shall be determined by agreement of the Board of the Company with the Boards of the respective railways.

Tariffs.—§ 6. The tariffs for the carriage of passengers and goods, as also for supplementary carriage rates, shall be determined by the Company itself, within the limits indicated in § 3.

Order of Examination of Legal Suits, and the Establishment of Rules for Railway Conveyance.—§ 7. Offences, litigation, &c., on the territory of the Chinese Eastern Railway shall be dealt with by local authorities, Chinese and Russian, on the basis of existing Treaties.

In regard to the carriage of passengers and goods, the responsibility for such conveyance, the lapse of time for claims, the order of recovering money from the railway when adjudged, and the relations of the railway to the public shall be defined in rules drawn up by the Company and established before the opening of the railway traffic; these rules shall be framed in accordance with those existing on Russian railways.

Maintenance of Security and Order on the Railway.—§ 8. The Chinese Government has undertaken to adopt measures for securing the safety of the railway and of all employed on it against any extraneous attacks.

The preservation of law and order on the lands assigned to the railway and its appurtenances shall be confided to police agents appointed by the Company.

The Company shall for this purpose draw up and establish police regulations.

Foundation Capital of the Company.—§ 9. The whole amount of the capital of the Company shall be determined according to the cost of construction calculated on the basis of estimates framed when the survey of the line was carried out. The foundation capital shall be charged with:—

(a) The payment of interest and amortization of the foundation capital during the construction of the railway:

(b) The purchase from the Russian Government of the results of the surveys of the direction of the railway to Manchuria, which were made by Russian engineers, the sum payable for these surveys being determined by agreement of the Russian Minister of Finances with the Company.

The capital of the Company shall be formed by the issue of shares and bonds.

Share Capital—§ 10. The share capital of the Company shall be fixed at 5,000,000 nominal credit roubles, and divided into 1,000 shares at 5,000 nominal credit roubles.

The shares are to be issued at their nominal value.

The guarantee of the Russian Government does not extend to them.

Bond Capital; Guarantee of Russian Government on Bonds.—§ 11. The remaining portion of the capital of the Company will be formed by the issue of bonds. The bonds will be issued as required, and each time with the special sanction of the Minister of Finances. The nominal amount of

each separate issue of bonds, the time and condition of the issue, as also the form of these bonds, shall be subject to the sanction of the Minister of Finances.

The Russian Government will guarantee the interest on and amortization of the bonds.

For the realization of these bonds the Company must have recourse to the Russo-Chinese Bank, but the Russian Government reserves to itself the right of appropriating the bond loan at a price which shall be determined between the Company and the Bank, and to pay the Company the agreed amount in ready money.

Guarantee of Realized Bond Capital.—§ 12. As payments are received for bonds guaranteed by the Russian Government, the Company shall be bound to keep such sums, or interest-bearing securities purchased with the same by permission of the Russian Minister of Finances, under the special supervision of the Russian Ministry of Finances.

Out of the above receipts the Company shall have the right to make the following payments :—

(a) According to actual fulfilment of the work in progress, and execution of orders and at the time when various expenditures shall become necessary, such payments to be made on the scale and on the conditions specified in the working estimates ;

(b) During the construction of the line, of interest, as it becomes due, on the bonds issued by the Company, subject to the conditions of their issue, and the Company shall pay the sums necessary for the above purpose within the limits of the amount realized by it in the issue of its bonds.

Shares.—§ 13. On the payment of the first allotment on the shares, the founders shall receive temporary certificates on which subsequently, when the Board of Management of the Company shall have been formed, the receipt of the further instalments on the shares will be inscribed.

When the shares shall be fully paid up the temporary certificates issued to the founders shall be replaced by shares.

The shares of the Company are issued to bearer, under the signature of not fewer than three members of the Board of Management. To the shares will be attached a coupon sheet for the receipt once yearly under them of any dividend that may be payable.

On the coupon sheets becoming exhausted new sheets will be issued.

A dividend on the shares out of the net profits of any year, supposing such accrue, shall be payable on the adoption by the general meeting of shareholders of the Annual Report for that year, and the dividend shall be payable at the offices of the Company, or at such places which it may indicate.

The Company shall notify for general information in the " Official Gazette " and in the " Finance Messenger," as also in one of the Chinese newspapers, the amount and place of payment of the dividend.

Reserve Capital.—§ 14. The reserve capital is destined —

(a) For the capital repair of the railway, its buildings and appurtenances ;

(b) For defraying extraordinary expenditure of the Company in repairing the railway and its appurtenances.

The reserve capital of the Company is formed out of annual sums put

aside from the net profits of the working of the railway (§ 17).

The reserve capital must be kept in Russian State interest-bearing securities, or in railway bonds guaranteed by the Russian Government.

At the expiration of the term of possession of the railway by the Company, the reserve capital shall be first of all employed in the payment of the debts of the Company, including among them sums due to the Russian Government, if such exist; after the debts of the Company shall have been paid, the remainder of the reserve capital shall be divided among the shareholders. In the event of the redemption of the railway by the Chinese Government this reserve capital becomes the property of the shareholders.

Net Revenue.—§ 15. The net revenue of the Company shall be the remainder of the gross receipts, after deduction of working expenses.

Under these expenses are classed:—

(a) General outlays, including assignments toward pension and relief funds, if such be established on the line;

(b) Maintenance of the Staff of the Board of Management, and of all the services; as also the maintenance of employees and labourers not on the permanent list;

(c) Outlays for materials and articles used for the railways as also expenditure in the shape of remuneration for the use of buildings, rolling-stock, and other various requisites, for the purposes of the railway;

(d) Outlays for the maintenance, repair and renewal of the permanent way, works of construction, buildings, rolling-stock, and other appurtenances of the railway;

(e) Expenditure connected with the adoption of the measures and instructions of the Board of Management for insuring the safety and regularity of the railway service;

(f) Expenditure for the improvement and development of the railway, as also for creating and developing its resources.

Additional Payments by the Russian Government Under the Guarantee, and the Order of Settlement of Accounts between the Company and the Russian Government in Respect of these Additional Payments.—§ 16. Should the gross receipts of the railway prove insufficient for defraying the working expenses and for meeting the yearly payments due on the bonds, the Company will receive the deficient sum from the Russian Government through the Russian Minister of Finances. The payments referred to will be made to the Company as advances, at a rate of interest of 6 per cent. per annum. Sums paid in excess to the Company in consequence of its demands and on account of the guarantee will be deducted from succeeding money payments.

On the presentation to the general meeting of shareholders of the annual report of the working of the railway for a given year, the Company shall at the same time submit to the general meeting, for confirmation, a detailed statement of the sums owing by the Company to the Russian Government, with the interest that has accrued thereon. On the confirmation of the statement by the general meeting, the Board of Management shall deliver to the Russian Government an acknowledgment of the Company's debt, to the full determined amount of the same, and this acknowledgment, until its substitution by another, shall bear annual interest at the rate of 6 per cent.

The acknowledgment above mentioned given by the Board of Management to the Russian Government shall not be subject to bill or deed stamp tax.

* * * * *

[Subjects of minor importance are dealt with in the following sections:—

§ 17. Distribution of net profits of the railway.

§ 18. Functions of Board of Management, the seals of which will be at Peking and St. Petersburg.

§ 19. Constitution of the Board, which is to consist of nine members elected by the shareholders. The Chairman is to be appointed by the Chinese Government; the Vice-Chairman is to be chosen by the members of the Board from among themselves.

§ 20. Order of transaction of the business of the Board.

§ 21. General meetings of shareholders and the subjects that shall come under their notice.

§ 22. Order of convening general meetings.

§ 23. Conditions under which general meetings shall be recognized as legally held.

§ 24. Participation of shareholders in proceedings of general meetings.

§ 25. Local management of works of construction.

§ 26. Local management of railway when in working order.

§ 27. Questions to be submitted for confirmation by Russian Minister of Finances.

§ 28. Committee of audit.]

Gratuitous Entrance into Possession of Railway by Chinese Government.—§ 29. In accordance with the Agreement concluded with the Chinese Government, the latter, after the expiration of eighty years of possession of the railway by the Company, enters into possession of it and its appurtenances.

The reserve and other funds belonging to the Company shall be employed in paying the money due to the Russian Government under the guarantee (§ 16) and in satisfaction of other debts of the Company, and the remainder shall be distributed among the shareholders.

Any money that may remain owing by the Company to the Russian Government at the expiration of eighty years in respect of the guarantee shall be written off.

The Russo-Chinese Bank will incur no responsibility in respect of the same.

Right of the Chinese Government to Acquire the Railway on the Expiration of Thirty-six years.—§ 30. In accordance with the agreement concluded with the Chinese Government, on the expiration of thirty-six years from the time of completion of the whole line and its opening for traffic, the Chinese Government has the right of acquiring the line, on refunding to the Company in full all the outlays made on it, and on payment for everything done for the requirements of the railway, such payments to be made with accrued interest.

It follows as a matter of course that the portion of the share capital which has been amortized by drawing and the part of the debt owing to the Russian Government under the guarantee and repaid out of the net profits (§ 17) will not constitute part of the purchase money.

In no case can the Chinese Government enter into possession of the

railway before it has lodged in the Russian State Bank the necessary purchase money.

The purchase money lodged by the Chinese Government shall be employed in paying the debt of the Company under its bonds and all sums, with interest, owing to the Russian Government, the remainder of the money being then at the disposal of the shareholders.

No. 6

(CHINA AND RUSSIA)

Convention for the Lease of the Liaotung Peninsula — March 27, 1898

His Majesty the Emperor and Autocrat of all the Russias, and His Majesty the Emperor of China, being desirous of still further strengthening the friendly relations existing between the two Empires and mutually wishing to insure the means whereby to show reciprocal support, have appointed as their Plenipotentiaries, for the purpose of arriving at an agreement on this matter:

His Majesty the Emperor of Russia — M. Alexander Pavlow, Gentleman of the Court, and His Majesty's Charge d'Affaires accredited to the Government of H. M. the Emperor of China;

His Majesty the Emperor of China — Count Li, Chancellor, Member of the Ministry of Foreign Affairs, and Senior Preceptor of the Heir to the Throne, and Chang, Assistant Minister of Finance, and Member of the Ministry of Foreign Affairs, with Ministerial rank.

The above-named Plenipotentiaries, furnished with due powers, have decided upon the following stipulations:

ARTICLE I.—For the purpose of ensuring that the Russian naval forces shall possess an entirely secure base on the littoral of northern China, H. M. the Emperor of China agrees to place at the disposal of the Russian Government, on lease, Port Arthur (Liou-choun-kou) and Ta-lien-wan, together with the water areas contiguous to these ports. This act of lease, however, in no way violates the sovereign rights of H. M. the Emperor of China to the above-mentioned territory.

ARTICLE II.—The frontier of the territory leased on the above-specified basis, will extend northwards from the Bay of Ta-lien-wan for such distance as is necessary to secure the proper defence of this area on the land side. The precise line of demarcation and other details respecting the stipulations of the present Convention will be determined by a separate Protocol which shall be concluded at St. Petersburg with the dignitary Siou-tzin-ch'eng immediately after the signature of the present Convention. Upon the determination of this line of demarcation, the Russian Government will enter into complete and exclusive enjoyment of the whole area of the leased territory together with the water areas contiguous to it.

ARTICLE III.—The term of the lease shall be twenty-five years from the date of the signature of the present agreement and may be prolonged subsequently by mutual consent of both Governments.

ARTICLE IV.—During the above-specified period, on the territory leased by the Russian Government and its adjacent water area, the entire military command of the land and naval forces and equally the supreme civil

administration will be entirely given over to the Russian authorities and will be concentrated in the hands of one person who, however, shall not have the title of Governor or Governor-General. No Chinese military land forces whatsoever will be allowed on the territory specified. Chinese inhabitants retain the right, as they may desire, either to remove beyond the limits of the territory leased by Russia or to remain within such limits without restriction on the part of the Russian authorities. In the event of a Chinese subject committing any crime within the limits of the leased territory, the offender will be handed over to the nearest Chinese authorities for trial and punishment in accordance with Chinese laws, as laid down in Article VIII of the Treaty of Peking of 1896.

ARTICLE V.—A neutral zone shall be established north of the above-specified frontier of the leased territory. The frontiers of this zone will be fixed by the dignitary Siou-tzin-ch'eng and the Ministry of Foreign Affairs in St. Petersburg. Within this specified neutral zone the civil administration will be entirely in the hands of the Chinese authorities; Chinese troops will be admitted within this zone only with the consent of the Russian authorities.

ARTICLE VI.—Both the Governments agree that Port Arthur, as an exclusively military (naval) port, shall be used solely by Russian and Chinese vessels and shall be considered as a closed port to war-ships and merchant vessels of other States. As regards Ta-lien-wan, this port, with the exception of one of the inner bays which, like Port Arthur, shall be set apart exclusively for the use of the Russian and Chinese fleets, shall be considered open to foreign commerce and free entry to it will be granted to the merchant vessels of all nations.

ARTICLE VII.—The Russian Government takes upon itself at its own expense and with its own resources to erect all buildings necessary for its fleet and land forces on the area leased to it and especially in Port Arthur and the port of Ta-lien-wan, to erect fortifications, maintain garrisons in them and generally to take all necessary steps for the proper defence of the specified locality from hostile attack. Similarly the Russian Government binds itself at its own expense to erect and maintain light-houses and other precautionary signs requisite for the security of navigation.

ARTICLE VIII.—The Chinese Government agrees that the concessions granted by it in 1896 to the Chinese Eastern Railway Company, from the date of the signature of the present agreement shall be extended to the connecting branch which is to be built from one of the stations of the main line to Ta-lien-wan, and also, if deemed necessary, from the same main line to another more convenient point on the littoral of the Liaotung Peninsula between the town of In-tzu and the estuary of the River Yalu. All the stipulations of the contract concluded by the Chinese Government with the Russo-Chinese Bank on August 27 (September 8), 1896, shall apply scrupulously to these supplementary branches. The direction and points through which the above-mentioned lines shall pass will be determined upon by the dignitary Siou-tzin-ch'eng and the administration of the Chinese Eastern Railway. Consent to the construction of the railway on the basis indicated shall never under any form serve as a pretext for the seizure of Chinese territory or for any encroachment on the sovereign rights of China.

ARTICLE IX.—The present Convention shall come into force from the date of exchange of copies thereof by the Plenipotentiaries of the two States.

The exchange of ratifications will take place in St. Petersburg with the least possible delay.

In virtue of which the respective Plenipotentiaries of the two parties have signed and affixed their seals to two copies of the present Convention in the Russian and Chinese languages. Of the two texts which, upon comparison, have been found to be in agreement, the Russian text shall be that used for the interpretation of the Convention.

Done in duplicate at Peking, this 15th day of March (March 27), 1898, and by the Chinese calendar the 6th day of the 3rd moon of the 24th year of the reign of Kuang-Hsu.

(Seal) (Signed) P. Pavlow.

(Seal) (Signed) Li-Chang.

(Seal of the Tsung-li-yamen)

No. 7

(JAPAN AND RUSSIA)

Treaty of Portsmouth — September 5, 1905

His Majesty the Emperor of Japan on the one part, and His Majesty the Emperor of all the Russias on the other part, animated by the desire to restore the blessings of peace to Their countries and peoples, have resolved to conclude a Treaty of Peace, and have, for this purpose, named Their Plenipotentiaries, that is to say:

His Majesty the Emperor of Japan:

His Excellency Baron Komura Jutaro, Jusammi, Grand Cordon of the Imperial Order of the Rising Sun, His Minister for Foreign Affairs, and

His Excellency M. Takahira Kogoro, Jusammi, Grand Cordon of the Imperial Order of the Sacred Treasure, His Envoy Extraordinary and Minister Plenipotentiary to the United States of America; and

His Majesty the Emperor of all the Russias:

His Excellency M. Serge Witte, His Secretary of State and President of the Committee of Ministers of the Empire of Russia, and

His Excellency Baron Roman Rosen, Master of the Imperial Court of Russia and His Ambassador Extraordinary and Plenipotentiary to the United States of America;

Who, after having exchanged their full powers which were found to be in good and due form, have concluded the following Articles;

ARTICLE I.—There shall henceforth be peace and amity between Their Majesties the Emperor of Japan and the Emperor of all the Russias and between Their respective States and subjects.

ARTICLE II.—The Imperial Russian Government, acknowledging that Japan possesses in Korea paramount political, military and economical interests, engage neither to obstruct nor interfere with the measures of guidance, protection and control which the Imperial Government of Japan may find it necessary to take in Korea.

It is understood that Russian subjects in Korea shall be treated exactly in the same manner as the subjects or citizens of other foreign Powers, that

is to say, they shall be placed on the same footing as the subjects or citizens of the most favoured nation.

It is also agreed that, in order to avoid all cause of misunderstanding, the two High Contracting Parties will abstain, on the Russo-Korean frontier, from taking any military measure which may menace the security of Russian or Korean territory.

ARTICLE III.—Japan and Russia mutually engage:

1. To evacuate completely and simultaneously Manchuria except the territory affected by the lease of the Liaotung Peninsula, in conformity with the provisions of additional Article I. annexed to Treaty; and

2. To restore entirely and completely to the exclusive administration of China all portions of Manchuria now in the occupation or under the control of the Japanese or Russian troops, with the exception of the territory above mentioned.

The Imperial Government of Russia declare that they have not in Manchuria any territorial advantages or preferential or exclusive concessions in impairment of Chinese sovereignty or inconsistent with the principle of equal opportunity.

ARTICLE IV.—Japan and Russia reciprocally engage not to obstruct any general measures common to all countries, which China may take for the development of the commerce and industry of Manchuria.

ARTICLE V.—The Imperial Russian Government transfer and assign to the Imperial Government of Japan, with the consent of the Government of China, the lease of Port Arthur, Talien and adjacent territory and territorial waters and all rights, privileges and concessions connected with or forming part of such lease and they also transfer and assign to the Imperial Government of Japan all public works and properties in the territory affected by the above-mentioned lease.

The two High Contracting Parties mutually engage to obtain the consent of the Chinese Government mentioned in the foregoing stipulation.

The Imperial Government of Japan on their part undertake that the proprietary rights of Russian subjects in the territory above referred to shall be perfectly respected.

ARTICLE VI.—The Imperial Russian Government engage to transfer and assign to the Imperial Government of Japan, without compensation and with the consent of the Chinese Government, the railway between Changchun (Kuancheng-tzu) and Port Arthur and all its branches, together with all rights, privileges and properties appertaining thereto in that region, as well as all coal mines in the said region belonging to or worked for the benefit of the railway.

The two High Contracting Parties mutually engage to obtain the consent of the Government of China mentioned in the foregoing stipulation.

ARTICLE VII.—Japan and Russia engage to exploit their respective railways in Manchuria exclusively for commercial and industrial purposes and in no wise for strategic purposes.

It is understood that that restriction does not apply to the railway in the territory affected by the lease of the Liaotung Peninsula.

ARTICLE VIII.—The Imperial Governments of Japan and Russia, with a view to promote and facilitate intercourse and traffic, will, as soon

as possible, conclude a separate convention for the regulation of their connecting railway services in Manchuria.

ARTICLE IX.—The Imperial Russian Government cede to the Imperial Government of Japan in perpetuity and full sovereignty, the southern portion of the Island of Saghalien and all islands adjacent thereto, and all public works and properties thereon. The fiftieth degree of north latitude is adopted as the northern boundary of the ceded territory. The exact alignment of such territory shall be determined in accordance with the provisions of additional Article II. annexed to this Treaty.

Japan and Russia mutually agree not to construct in their respective possessions on the Island of Saghalien or the adjacent islands, any fortifications or other similar military works. They also respectively engage not to take any military measures which may impede the free navigation of the Straits of La Perouse and Tartary.

ARTICLE X.—It is reserved to the Russian subjects, inhabitants of the territory ceded to Japan, to sell their real property and retire to the country; but, if they prefer to remain in the ceded territory, they will be maintained and protected in the full exercise of their industries and rights of property, on condition of submitting to Japanese laws and jurisdiction. Japan shall have full liberty to withdraw the right of residence in, or to deport from, such territory, any inhabitants who labour under political or administrative disability. She engages, however, that the proprietary rights of such inhabitants shall be fully respected.

ARTICLE XI.—Russia engages to arrange with Japan for granting to Japanese subjects rights of fishery along the coasts of the Russian possessions in the Japan, Okhotsk and Behring Seas.

It is agreed that the foregoing engagement shall not affect rights already belonging to Russian or foreign subjects in those regions.

ARTICLE XII.—The Treaty of Commerce and Navigation between Japan and Russia having been annulled by the war, the Imperial Governments of Japan and Russia engage to adopt as the basis of their commercial relations, pending the conclusion of a new treaty of commerce and navigation on the basis of the Treaty which was in force previous to the present war, the system of reciprocal treatment on the footing of the most favoured nation, in which are included import and export duties, customs formalities, transit and tonnage dues, and the admission and treatment of the agents, subjects and vessels of one country in the territories of the other.

ARTICLE XIII.—As soon as possible after the present Treaty comes into force, all prisoners of war shall be reciprocally restored. The Imperial Governments of Japan and Russia shall each appoint a special Commissioner to take charge of prisoners. All prisoners in the hands of one Government shall be delivered to and received by the Commissioner of the other Government or by his duly authorized representative, in such convenient numbers and at such convenient ports of the delivering State as such delivering State shall notify in advance to the Commissioner of the receiving State.

The Governments of Japan and Russia shall present to each other, as soon as possible after the delivery of prisoners has been completed, a statement of the direct expenditure respectively incurred by them for the care and maintenance of prisoners from the date of capture or surrender up to

the time of death or delivery. Russia engages to repay to Japan, as soon as possible after the exchange of the statements as above provided, the difference between the actual amount so expended by Japan and the actual amount similarly disbursed by Russia.

ARTICLE XIV.—The present Treaty shall be ratified by Their Majesties the Emperor of Japan and the Emperor of all the Russias. Such ratification shall, with as little delay as possible and in any case not later than fifty days from the date of the signature of the Treaty, be announced to the Imperial Governments of Japan and Russia respectively through the French Minister in Tokio and the Ambassador of the United States in Saint Petersburg and from the date of the later of such announcements this Treaty shall in all its parts come into full force.

The formal exchange of the ratifications shall take place at Washington as soon as possible.

ARTICLE XV.—The present treaty shall be signed in duplicate in both the English and French languages. The texts are in absolute conformity, but in case of discrepancy in interpretation, the French text shall prevail.

In witness whereof, the respective Plenipotentiaries have signed and affixed their seals to the present Treaty of Peace.

Done at Portsmouth (New Hampshire) this fifth day of the ninth month of the thirty-eighth year of Meiji, corresponding to the twenty-third day of August (fifth September) one thousand nine hundred and five.

(Signed) Serge Witte. (L. S.) Jutaro Komura. (L. S.)
(Signed) Rosen. (L. S.) K. Takahira. (L. S.)

No. 8

(JAPAN AND CHINA)

Treaty of Peking relating to Manchuria — December 22, 1905

ARTICLE I.—The Imperial Chinese Government consent to all the transfers and assignments made by Russia to Japan by Articles V. and VI. of the Treaty of Peace above mentioned.

ARTICLE II.—The Imperial Japanese Government engage that in regard to the leased territory as well as in the matter of railway construction and exploitation, they will, so far as circumstances permit, conform to the original agreements concluded between China and Russia. In case any question arises in the future on these subjects, the Japanese Government will decide it in consultation with the Chinese Government.

ARTICLE III.—The present Treaty shall come into full force from the date of signature. It shall be ratified by Their Majesties the Emperor of Japan and the Emperor of China and the ratifications shall be exchanged at Peking as soon as possible, and not later than two months from the present date.

In witness whereof, the respective Plenipotentiaries have signed this Treaty in duplicate in the Japanese and Chinese languages and have thereto affixed their seals.

Done at Peking, this twenty-second day of the twelfth month of the thirty-eighth year of Meiji, corresponding to the twenty-sixth day of the eleventh moon of the thirty-first year of Kuang Hsü.

(Signed)

No. 9

(JAPAN AND CHINA)

Additional Agreement to Treaty of Peking

The Governments of Japan and China, with a view to regulate, for their guidance, certain questions in which they are both interested in Manchuria, in addition to those provided for in the Treaty signed this day, have agreed as follows:

ARTICLE I.—The Imperial Chinese Government agree that as soon as possible after the evacuation of Manchuria by the Japanese and Russian forces, the following cities and towns in Manchuria will be opened by China herself as places of international residence and trade:

In the Province of Shengking:

Fenghwangcheng; Liaoyang; Hsinmintun; Tiehling; Tangkangtzu and Fakumen.

In the Province of Kirin:

Changchun (Kuanchengtzu); Kirin; Harbin; Ninguta; Hunchun and Sanhsing.

In the Province of Heilungkiang:

Tsitsihar; Hailar; Aigun and Manchouli.

ARTICLE II.—In view of the earnest desire expressed by the Imperial Chinese Government to have the Japanese and Russian troops and railway guards in Manchuria withdrawn as soon as possible, and in order to meet this desire, the Imperial Japanese Government, in the event of Russia agreeing to the withdrawal of her railway guards, or in case other proper measures are agreed to between China and Russia, consent to take similar steps accordingly. When tranquillity shall have been reestablished in Manchuria and China shall have become herself capable of affording full protection to the lives and property of foreigners, Japan will withdraw her railway guards simultaneously with Russia.

ARTICLE III.—The Imperial Japanese Government, immediately upon the withdrawal of their troops from any regions in Manchuria, shall notify the Imperial Chinese Government of the regions thus evacuated, and even within the period stipulated for the withdrawal of troops in the Additional Articles of the Treaty of Peace between Japan and Russia, the Chinese Government may send necessary troops to the evacuated regions of which they have been already notified as above mentioned, for the purpose of maintaining order and tranquillity in those regions. If, in the regions from which Japanese troops have not yet been withdrawn, and villages are disturbed or damaged by native bandits, the Chinese local authorities may also dispatch a suitable military force for the purpose of capturing or dispersing those bandits. Such troops, however, shall not proceed within twenty Chinese *li* from the boundary of the territory where Japanese troops are stationed.

ARTICLE IV.—The Imperial Government of Japan engage that Chinese public and private property in Manchuria, which they have occupied or expropriated on account of military necessity, shall be restored at the time the Japanese troops are withdrawn from Manchuria and that such property

as is no longer required for military purposes shall he restored even before such withdrawal.

ARTICLE V.—The Imperial Chinese Government engage to take all necessary measures to protect fully and completely the grounds in Manchuria in which the tombs and monuments of the Japanese officers and soldiers who were killed in war are located.

ARTICLE VI.—The Imperial Chinese Government agree that Japan has the right to maintain and work the military railway line constructed between Antung and Mukden and to improve the said line so as to make it fit for the conveyance of commercial and industrial goods of all nations. The term for which such right is conceded is fifteen years from the date of the completion of the improvements above provided for. The work of such improvements is to be completed within two years, exclusive of a period of twelve months during which it will have to be delayed owing to the necessity of using the existing line for the withdrawal of troops. The term of the concession above mentioned is therefore to expire in the 49th year of Kuang Hsü. At the expiration of that term, the said railway shall be sold to China at a price to be determined by appraisement of all its properties by a foreign expert who will be selected by both parties. The conveyance by the railway of the troops and munitions of war of the Chinese Government prior to such sale shall be dealt with in accordance with the regulations of the Eastern Chinese Railway. Regarding the manner in which the improvements of the railway are to be effected, it is agreed that the person undertaking the work on behalf of Japan shall consult with the Commissioner dispatched for the purpose by China. The Chinese Government will also appoint a Commissioner to look after the business relating to the railway as is provided in the Agreement relating to the Chinese Eastern Railway. It is further agreed that detailed regulations shall be concluded regarding the tariffs for the carriage by the railway of the public and private goods of China.

ARTICLE VII.—The Governments of Japan and China, with a view to promote and facilitate intercourse and traffic, will conclude, as soon as possible, a separate convention for the regulation of connecting services between the railway lines in South Manchuria and all the other railway lines in China.

ARTICLE VIII.—The Imperial Chinese Government engage that all materials required for the railways in South Manchuria shall be exempt from all duties, taxes and *likin*.

ARTICLE IX.—The methods of laying out the Japanese Settlement at Yingkou in the Province of Shengking, which has already been opened to trade, and at Antung and Mukden in the same Province, which are still unopen although stipulated to be opened, shall be separately arranged and determined by officials of Japan and China.

ARTICLE X.—The Imperial Chinese Government agree that a joint-stock company of forestry composed of Japanese and Chinese capitalists shall be organized for exploitation of the forests in the regions on the right bank of the River Yalu and that a detailed agreement shall be concluded in which the area and term of the concession as well as organization of the company and all regulations concerning the joint work of exploitation shall be pro-

vided for. The Japanese and Chinese shareholders shall share equally in the profit of the undertaking.

ARTICLE XI.—The Governments of Japan and China engage that in all that relates to frontier trade between Manchuria and Korea most favoured nation treatment shall be reciprocally extended.

ARTICLE XII.—The Governments of Japan and China engage that in all matters dealt with in the Treaty signed this day or in the present Agreement the most favourable treatment shall be reciprocally extended.

The present Agreement shall take effect from the date of signature. When the Treaty signed this day is ratified, this Agreement shall also be considered as approved.

In witness whereof, the Undersigned, duly authorized by their respective Governments, have signed the present Agreement in duplicate in the Japanese and Chinese languages and have thereto affixed their seals.

Done at Peking, this 22nd day of the 12th month of the 38th year of Meiji, corresponding to the 26th day of the 11th moon of the 31st year of Kuang Hsü. (Signed)

No. 10

(JAPAN AND CHINA)

Protocols attached to the Treaty of Peking — December 22, 1905

1.—The railway between Changchun and Kirin will be constructed by China with capital to be raised by herself. She, however, agrees to borrow from Japan the insufficient amount of capital, which amount being about one-half of the total sum required. The contract concerning the loan shall, in due time, be concluded, following, *mutatis mutandis*, the loan contract entered into between the board of the Imperial Railways of North China and the Anglo-Chinese Syndicate. The term of the loan shall be twenty-five years, redeemable in yearly instalments.

2.—The military railways constructed by Japan between Mukden and Hsinmintun shall be sold to China at a price to be fairly determined in consultation by Commissioners appointed for the purpose by the two Governments. China engages to reconstruct the line, making it her own railway, and to borrow from a Japanese corporation or corporations one half of the capital required for the portion of the line east of Liao-ho for a term of eighteen years repayable in yearly instalments, and a contract shall be concluded, for the purpose following, *mutatis mutandis*, the loan contract entered into between the Board of the Imperial Railways of North China and the Anglo-Chinese Syndicate.

All the other military railways in different localities shall be removed with the evacuation of the regions.

3. The Chinese Government engage, for the purpose of protecting the interest of the South Manchuria Railway, not to construct, prior to the recovery by them of the said railway, any main line in the neighborhood of and parallel to that railway, or any branch line which might be prejudicial to the interest of the above-mentioned railway.

4.—China declares that she will adopt sufficient measures for securing Russia's faithful observance of the Russo-Chinese treaties with regard to the rail-

ways which Russia continues to possess in the northern part of Manchuria, and that it is her intention, in case Russia acts in contravention of such treaty stipulations, to approach her strongly with a view to have such action fully rectified.

5.—When in the future, negotiations are to be opened between Japan and Russia for regulation of the connecting railway service (Article VIII. of the Treaty of Peace between Japan and Russia), Japan shall give China previous notice. China shall communicate to Russia her desire to take part in the negotiations through Commissioners to be despatched by her on the occasion, and Russia consenting shall participate in such negotiations.

6.—With regard to the mines in the Proviuce of Fengtien, appertaining to the railway, whether already worked or not, fair and detailed arrangements shall be agreed upon for mutual observance.

7.—The affairs relating to the connecting services as well as those of common concern in respect of the telegraph lines in the Province of Fengtien and the cables between Port Arthur and Yentai shall be arranged from time to time as necessity may arise in consultation between the two countries.

8.—The regulations respecting the places to be opened in Manchuria, shall be made by China herself, but the Japanese Minister at Peking must be previously consulted regarding the matter.

9.—If no objection be offered on the part of Russia respecting the navigation of the Sungari (by Japanese vessels), China shall consent to such navigation after negotiations.

10.—The Chinese Plenipotentiaries declare that immediately after the withdrawal of the Japanese and Russian troops from Manchuria, China will proceed to take, in virtue of her sovereign right, full administrative measures to guarantee peace in that region and endeavor, by the same right, to promote good and remove evil as well as steadily to restore order, so that the residents of that region, natives and foreigners, may equally enjoy the security of life and occupation under the perfect protection of the Chinese Government. As to the means of restoring order, the Chinese Government are to take by themselves all adequate measures.

11.—While relations of intimate friendship subsisted as at the present time between China and Japan, Japan and Russia had unfortunately engaged in war and fought in the territory of China. But peace has now been re-established and hostilities in Manchuria have ceased. And while it is undeniable that Japanese troops, before their withdrawal, have the power of exercising the rights accruing from military occupation, the Chinese Government declare that certain Japanese subjects in Manchuria have recently been observed to sometimes interfere with the local Chinese administration and to inflict damage to public and private property of China.

The Japanese Plenipotentiaries, considering that, should such interference and infliction of damage have been carried beyond military necessity, they are not proper acts, declare that they will communicate the purport of the above declaration of the Chinese Government to the Government of Japan, so that proper steps may be taken for controlling Japanese subjects in the Province of Fengtien and promote the friendly relations between the two nations, and also for preventing them in future, from interfering with the Chinese administration or inflicting damage to public or private property without military necessity.

12.—In regard to any public or private property of China which may have been purposely destroyed or used by Japanese subjects without any military necessity, the Governments of the two countries shall respectively make investigations and cause fair reparation to be made.

13.—When the Chinese local authorities intend to despatch troops for the purpose of subduing native bandits in the regions not yet completely evacuated by Japanese troops, they shall not fail to previously consult with the Commander of the Japanese troops stationed in those regions so that all misunderstandings may be avoided.

14.—The Japanese Plenipotentiaries declare that the Railway Guards stationed between Changchun and the boundary line of the leased territory of Port Arthur and Talien, shall not be allowed, before their withdrawal, to unreasonably interfere with the local administration of China or to proceed without permission beyond the limits of the railway.

15.—Chinese local authorities, who are to reside at Yingkou, shall be allowed even before the withdrawal of the Japanese troops, to proceed to that place and transact their official business. The date of their departure is to be determined, as soon as possible after the definite conclusion of this Treaty, by the Japanese Minister to China in consultation with the Waiwupu. As there is still in that place a considerable number of Japanese troops, quarantine regulations as well as regulations for the prevention of contagious diseases, shall be established by the authorities of the two countries in consultation with each other so that epidemics may be avoided.

16.—The revenue of the Maritime Customs at Yingkou shall be deposited with the Yokohama Specie Bank and delivered to the Chinese local authorities at the time of evacuation. As to the revenue of the native Customs at that place and the taxes and imposts at all other places, which are to be appropriated for local expenditures, a statement of receipts and expenditures shall be delivered to the Chinese local authorities at the time of evacution.

No. 11

Japanese Imperial Ordinance sanctioning Organization of South Manchuria Railway Company — June 7, 1906

(Amended several times)

ARTICLE I.—The Government shall cause the organization of the South Manchuria Railway Joint Stock Company for the purpose of engaging in railway traffic in Manchuria.

ARTICLE II.—The shares of the Company shall all be registered (signed) and may be owned only by the Japanese and Chinese Governments or by subjects of Japan and China.

ARTICLE III.—The Japanese Government may offer its Manchurian railways, and their appurtenances, and its coal-mines in Manchuria, as the capital to be furnished by the Government.

ARTICLE IV.—The company may divide the new shares to be raised into several issues to be floated at different times, but the amount of the first issue shall not be less than one-fifth of the whole amount.

ARTICLE V.—The first payment upon the shares need not exceed one-tenth of the value of the shares.

ARTICLE VI.—The company shall establish its head office at Dairen and a branch office at Tokyo (as amended March 6, 1907).

ARTICLE VII.—The company shall have a president, a vice-president, four or more directors and from three to five inspectors.

ARTICLE VIII.—The president shall represent the company and manage its affairs.

The vice-president shall perform the president's duties when the latter is prevented from discharging them, and shall act as president when the latter post is vacant.

When both the president and vice-president are prevented from discharging their duties the Government shall cause one of the directors to discharge the duties of the president (as amended April 12, 1919).

The vice-president and directors shall assist the president in his duties and shall take charge of various departments of the company's business.

The inspectors shall examine the business of the company.

ARTICLE IX.—The Government, subject to the Imperial sanction, shall appoint the president and vice-president, whose terms of office shall be five years.

The Government shall appoint the directors from among those shareholders who own fifty or more shares. The term of office shall be four years.

The inspectors shall be elected from among the shareholders at a general meeting of the latter. The term of office shall be three years.

ARTICLE X.—The amount of compensation and allowances of the president, vice-president and directors shall be fixed by the Government.

ARTICLE XI.—The president, vice-president and directors of the company shall not engage in any other business or trade, under any name whatsoever, during their terms of office, except by special permission of the Government.

11 b. In case the company establishes one year as the business year, during the period in which the Government will meet deficits in the dividends, the company may once only at a definite time before the termination of that business year pay to shareholders other than the Japanese or Chinese Governments dividends equal to the amount paid up on shares multiplied by one-half the maximum rate of the grant (to meet deficits).

The account distributed in accordance with the provisions of the foregoing paragraph shall with reference to the accounts of the business year in question be deemed company property and shall be deducted from the amount distributed in dividends to shareholders other than the Japanese and Chinese Governments on the basis of these accounts irrespective of changes in the shareholders (added May 31, 1912 and amended August 31, 1917).

11 c. When the company issues debentures it may have payments made in a number of installments (added September 7, 1906). The total amount of debentures may reach an amount twice that of the paid-up shares, but the amount must not exceed the total capitalization (added January 21, 1910).

11 d. The issuance of company debentures and amendments to the articles of incorporation shall be decided when shareholders representing

one-half or more of the total capital are present by a majority vote (added March 6, 1917).

ARTICLE XII.—The Government shall appoint supervisors for the South Manchuria Railway Joint Stock Company to supervise the business of the company.

The supervisors may at any time examine the company's business and inspect their safes, books, documents and any other articles belonging to the company.

The supervisors, whenever they may deem it necessary, may order the company to report on the various accounts and the condition of the company's business.

The supervisors may attend the general meetings of the shareholders of the company, or any other meetings, and express their opinions, but shall not be entitled to vote.

ARTICLE XIII.—The Government may issue such orders as may be necessary to superintend the business of the company.

The Commander-in-Chief of the Kwantung Garrison may issue necessary instructions regarding the company's business as it affects military matters (added April 12, 1919).

ARTICLE XIV.—In case the decisions of the company or the conduct of its officers are in violation of laws and regulations or of the object of the company, or are detrimental to the public welfare, or fail to carry out the orders of the Government office under whose jurisdiction the company is, the Government may cancel the said decisions or dismiss the officers concerned.

ARTICLE XV.—When the Government deems it necessary, it may apply to the company the provisions of the laws and regulations relating to railways in Japan.

In the case referred to in the preceding paragraph the Government shall inform the company in advance as to the laws and regulations to be so applied.

ARTICLE XVI.—When not otherwise provided for in this ordinance, the provisions of the Commercial Code and its Supplementary Laws and Regulations shall be applied.

ARTICLE XVII.—The provisions of Imperial Ordinance No. 366, of 1900 (relating to the construction of railways in foreign countries by Japanese companies) shall not be applied to the company that is to be organized in accordance with this Ordinance.

Supplementary Rules

ARTICLE XVIII.—The Government shall appoint a commission to transact all business relating to the organization of the South Manchuria Railway Joint Stock Company.

ARTICLE XIX.—The organizing commission shall draw up the company's articles of association, and after the said articles have been approved by the Government, shall open the subscription for the first issue of shares.

ARTICLE XX.—When the first issue of the company's shares has been subscribed, the commission shall present to the Government the subscription list and apply for permission to organize the company.

ARTICLE XXI.—When the permission referred to in the preceding

Article has been given, the organizing commission shall, without delay, call for the first instalment upon each share.

When the first instalment referred to in the preceding Article has been paid in, the commission shall, without delay, call a general meeting for organization.

ARTICLE XXII.—At the close of the first general meeting the organizing commission shall turn over its business to the President of the South Manchuria Railway Joint Stock Company.

No. 12

Japanese Government Order regarding South Manchuria Railway Company — August 1, 1906

(Amended several times)

To Masatake Terauchi, Chairman of the Organizing Commission of the South Manchuria Railway Joint Stock Company, and eighty other members of the Commission:

The following orders are hereby given respecting the several matters relating to the organization of the South Manchuria Railway Joint Stock Company, all matters pertaining to the management of which have been entrusted to the Commission.

August 1, 1906.

Isaburo Yamagata,
Minister of Communications.
Yoshiro Sakatani, LL. D.,
Minister of Finance.
Viscount Tadasu Hayashi,
Minister for Foreign Affairs.

ARTICLE I.—In accordance with the Additional Agreement of the Japan-China Treaty relating to Manchuria, signed on December 22nd, 1905, the Company shall engage in the traffic of the following railways:

Dairen-Changchun.
Nankuanling-Port Arthur.
Tafangshen-Liushutun.
Tashihchiao-Yingkou.
Yentai-Yentai Coal Mine.
Suchiatun-Fushun.
Mukden-Antunghsien.

ARTICLE II.—The railways mentioned in the preceding Article shall be changed to the 4 feet 8.5 inch gauge within three (3) years counting from the day on which the company commences its operations.

On the Dairen-Changchun Railway the tracks between Dairen and Suchiatun (near Mukden) shall be doubled.

ARTICLE III.—The company shall make the various arrangements necessary for the lodging and meals of the passengers, as well as for the storage of goods at the principal stations on the line.

At the points on the harbors and bays touched by the railways the necessary arrangements shall be made for connecting water and land transportation.

ARTICLE IV.—For the convenience and the profit of the railway, the company may engage in the following accessory lines of business:

Mining, especially the operation of the coal-mines at Fushun and Yentai.

Water transportation.

Electrical enterprises.

Sale on commission of the principal goods carried by the railways.

Warehousing.

Business relating to the land and buildings on the land attached to the railways.

In addition, any business for which Government permission has been given.

ARTICLE V.—The company shall, subject to the permission of the Government, make the necessary arrangements for engineering works, education, sanitation, etc. within the area of lands used for the railways and the accessory lines of business.

ARTICLE VI.—To defray the expenses necessary for the arrangements mentioned in the preceding Article, the company may, subject to the permission of the Government, collect fees of those who live within the area of lands used for the railways and the accessory lines of business, or make any other assessments for necessary expenses.

ARTICLE VII.—The total amount of the company's capital stock shall be 440 million Yen, of which 200 million Yen shall be furnished by the Imperial (Japanese) Government. The amount of each share shall be 50 Yen.

ARTICLE VIII.—The capital to be furnished by the Government mentioned in the preceding Article shall consist of the following properties:

The existing railways.

All properties belonging to the railways, except those in the leased territory specially designated by the Government.

The coal mines at Fushun and Yentai.

The Government shall subscribe company shares to the face value of 120,000,000 Yen on December 1, 1920, in accordance with Law No. 34 of 1920.

ARTICLE IX.—The rolling stock now being used by the Government, and the rails as well as the accessories of the Mukden-Antunghsien temporary railway, shall be sold to the company at a reasonable price.

ARTICLE X.—The shares not owned by the Government shall be open to subscription by Japanese and Chinese subjects. If the Chinese Government desires to subscribe shares, the company shall comply therewith.

ARTICLE XI.—When the dividend of the company for any business year is less than six (6) per cent. per annum on the paid amount for the shareholders other than the Governments of Japan and China (hereafter to be styled merely "the shareholders"), the Government shall supply the deficiency for a period of fifteen (15) years only (or for thirty (30) business years if the calendar year be divided into two business years), commencing from the day of the registration of the company's establishment. However, the amount of money to be furnished by the Government to supply the deficiency referred to shall, under no circumstances, exceed six (6) per cent per annum on the capital paid in by the shareholders.

ARTICLE XII.—When the dividend of the company for any business year does not exceed six (6) per cent. per annum on the capital paid in by

the shareholders, the dividend on the shares owned by the Government need not be paid.

The shares owned by the Chinese Government shall be dealt with in a similar way to those owned by the Imperial Government.

ARTICLE XIII.—The Government shall guarantee the payment of interest on the debentures which the company may issue for the reconstruction of the railways, or for the operation of the accessory business, and on those which the company may issue for consolidating or redeeming these debentures. The Government shall, if necessary, guarantee the repayment of the principal.

The amount of the face value of the debentures to be guaranteed by the Government shall not be greater than twice the paid-up capital or exceed the authorized capital.

The debentures mentioned in the first paragraph shall be redeemed within twenty-five (25) years counting from the year of their issuance.

ARTICLE XIV.—For the debentures issued in accordance with the provisions in the first paragraph of the preceding Article, the Government shall supply the amount corresponding to the interest on the debentures.

When the dividend on the capital paid up by the shareholders exceeds six (6) per cent. per annum, the surplus shall first be applied to the payment of the interest on the debentures. However, in this case the amount of surplus shall be deducted.

ARTICLES XV.—When there is any surplus after paying the interest on the debentures, as mentioned in the preceding Article, out of the profits of the company's business, the said surplus shall be apportioned to the shares owned by the Governments of Japan and China until the rate is equal on the respective amounts paid up by all shareholders. Provided, however, that when the dividends on the shares owned by the Japanese and Chinese Governments reach 4.3 per cent. per annum, a second dividend may be paid not exceeding 4 per cent. on the paid-up capital of the shareholders. When the dividends on the shares owned by the Japanese and Chinese Governments shall happen to exceed 4.3 per cent. per annum, the second dividend may be increased to the extent of what exceeds 4.3 per cent., the additional dividend not exceeding 2 per cent. per annum on the paid-up capital of the shareholders.

ARTICLE XVI.—The money to be supplied by the Government, as provided for in Articles 11 and 14, shall bear interest at six (6) per cent per annum. The interest shall be added annually to the principal, and the total shall be the company's indebtedness to the Government.

When the dividend for all the shares exceeds ten (10) per cent. per annum, the surplus shall be devoted to the redemption of the company's debt mentioned in the preceding paragraph.

ARTICLE XVII.—Any surplus of funds raised by means of the debentures mentioned in Article 13 shall be deposited with the Division of Deposits in the Department of Finance.

ARTICLE XVIII.—The company shall determine estimates of the capital to be paid up and the debentures to be floated during each business year, their face value, issuing price, rate of interest, date of issuance et cetera, and shall receive the Government's approval.

ARTICLE XIX.—The company shall determine the regulations relating to its finances and business, and shall secure the Government's approval.

When the company desires to alter the regulations mentioned in the preceding paragraph and the articles of incorporation, similar steps shall be taken.

ARTICLE XX.—The plans of the company's business, the estimate of the cost of operation, the budget of income and expenditures connected with the company's business, the settlement of the same and the rate of the dividend for each business year shall be submitted to the Government for approval. When the company desires to alter the foregoing items, similar steps shall be taken.

ARTICLE XXI.—At the designation of the Government the company shall report on the following matters:

The present condition of the cost of operation as well as the income and expenditures connected with the company's business.

The actual condition of the company's work in general.

ARTICLE XXII.—Without the permission of the Government the company shall not dispose of its principal rights and properties; nor give the same for security.

ARTICLE XXIII.—When the Government deems it necessary, it may order the freight charges to be reduced, but only under special conditions.

ARTICLE XXIV.—The Government may, when it deems neccessary, order the company to make new works arrangements or modifiy the existing ones.

ARTICLE XXV.—At the designation of the Government the company shall be under obligation at any time to place the railways, land and any other articles at the service of the Government.

ARTICLE XXVI.—The Articles and paragraphs relating to the funds to be supplied by the Government guarantees mentioned in the present order shall be confirmed upon the approval of the Imperial Diet.

No. 13

Revised Articles of Association of the South Manchuria Railway Joint Stock Company

(Amended several times)

Chapter I.—General Provisions

ARTICLE I.—This company shall be called the South Manchuria Railway Joint Stock Company and is established in accordance with Imperial Ordinance No. 142 of 1906 and in obedience to the order of the Imperial Japanese Government.

ARTICLE II.—The liability of the shareholders of this company is limited to the value of shares owned by them.

ARTICLE III.—This company shall establish its head office at Dairen and a branch office at Tokyo.

ARTICLE IV.—The objects of the company are as follows:

I. To engage in the transportation business of the following railways in Manchuria:

Dairen-Changchun Railway.
Nankuanling-Port Arthur Railway.
Tafangshen-Liushutun Railway.
Tashihchiao-Yingkow Railway.
Yentai-Yentai Coal Mine Railway.
Suchiatun-Fushun Railway.
Mukden-Antunghsien Railway.

II. To engage in the following lines of accessory business for the benefit of the railways:

Mining, especially the operation of the coal mines at Fushun and Yentai.
Water transportation.
Electrical Enterprises.
Warehousing.
Business relating to the land and buildings on the land attached to the railways.
Any other business for which the permission of the Government may be given.

ARTICLE V.—The capital of the company shall be 440,000,000 Yen. However, the amount of the first subscription of shares shall be Yen 20,000,000, not including the shares to be owned by the Imperial Japanese Government. The second and subsequent subscriptions shall be opened from time to time, as necessity may require, upon the resolution of a general meeting of the shareholders.

ARTICLE VI.—The public notices of the company shall be published in the newspapers in which official announcements of the Kwantung Government are published at the place where the company's head office is situated and in the newspapers in which are published the public notices of the court of law to whose jurisdiction the company's branch office is subject.

Chapter II.—Shares

ARTICLE VII.—The share certificates of this company shall all be registered, and each share shall be fifty (50) Yen.

ARTICLE VIII.—The certificates of shares of this company shall be of the following five denominations:

One share certificates.
Ten share certificates.
One hundred share certificates.
One thousand share certificates.
Ten thousand share certificates.

ARTICLE IX.—The certificates of shares of this company shall bear the name of the company, the date of registration, the total amount of capital, the amount of each share, the amount paid up and the number of the certificate. They shall bear the signature and seal of the President.

ARTICLE X.—As regards payments upon the shares of second and subsequent issues, the president shall determine the amount to be paid up and the date as required by the (company's) business, and shall give notice thereof to each shareholder at least sixty days in advance.

ARTICLE XI.—If a shareholder fails to make payment by the day fixed for payment on the shares, delay interest shall be charged him at the rate of four sen per day per one hundred yen on the amount due.

ARTICLE XII.—If a shareholder fails to make payment within fifteen days from the date fixed for the first payment on the shares the company may demand that payment be made within thirty days: and if the money is not paid in by that time the company may notify him that his rights as a shareholder of this company shall be forfeited.

In the case mentioned in the previous paragraph, where rights are lost the application money previously paid shall not be refunded.

ARTICLE XIII.—If at the second and subsequent calls on the shares a shareholder fails to make payment within fifteen days after the date fixed for payment, the company may notify such shareholder that payment must be made within thirty days, and that, in the case of failure to comply, his rights as a shareholder of this company shall be forfeited.

When, in the case mentioned in the previous paragraph, a shareholder has forfeited his rights as such, the company shall notify each assignor (i. e. one who has previously held the shares) of shares that payment must be made within fifteen days, and the assignor who first pays the amount in arrears shall acquire the shares. If no assignor pays, the company shall sell the shares at auction. If the amount realized by the auction is not sufficient to cover the amount in arrears, the previous shareholder shall be required to make good the deficit. If the previous shareholder does not make good within fourteen days, the company shall demand performance of the assignors.

ARTICLE XIV.—The liability of the assignors mentioned in the preceding article is extinguished after two years from the time when the assignment was entered in the Register of Shareholders.

ARTICLE XV.—If a company or any other legal person, public or private, owns the shares of this company, it shall appoint its representative and have his name entered in the Register of Shareholders of this company. If shares are held by two or more persons in common, they are required to appoint one person to exercise their rights as shareholder. Persons holding shares in common are jointly and severally liable to the company for the payment upon the shares.

ARTICLE XVI.—When shares are to be assigned, the parties concerned shall make a written statement in accordance with the form prescribed by this company and apply for the alteration of the certificates of shares. However, when a person inherits shares by virtue of succession, bequest or any decision rendered by a court of law, such person is required to attach to the statement referred to a certificate of the census official or other documents as evidence that the company may deem necessary.

The assignment of any share shall not be valid unless the name and domicile of the assignee are entered in the Register of Shareholders and the name of the said assignee is entered on the share certificate in question.

ARTICLE XVII.—Should any certificate of shares be destroyed, multilated or lost, the shareholder may apply for a new certificate of shares by presenting to the company a statement giving the facts in the case and signed by two or more persons approved by the company as guarantors.

However, in case of loss, a public notice to that effect shall be given at the expense of the applicant, and the new certificate of shares shall be issued only when no objection is raised within sixty days from the date of the said public notice.

ARTICLE XVIII.—If any shareholder wishes to change the denominations of his certificate of shares, the said certificate shall be presented to the company together with the application.

ARTICLE XIX.—For the registration of a change of an owner's name on a certificate of shares, the issue of a new certificate of shares or the alteration of the denomination of a certificate of shares, the prescribed fee of the company shall be collected from the applicant.

ARTICLE XX.—During a period not exceeding thirty days immediately preceding each ordinary general meeting of shareholders and during the sixteen days between November 25th and December 10th of each year, the company shall suspend the assignment of shares.

Chapter III.—Shareholders

ARTICLE XXI.—The shareholders of this company shall be limited to the Government of Japan and China, and the subjects of Japan and China.

ARTICLE XXII.—The Imperial Japanese Government shall furnish the following properties as capital, and the company shall deliver to the Government two million shares, amounting to Yen 100,000,000, which is the value of the said properties:

The existing railways (except the rolling stock now actually in use, as well as the rails and accessories of the Mukden-Antunghsien temporary railway).

All properties attached to the railways referred to, except such properties within the leased territory as may be designated by the Government.

The coal-mines at Fushun and Yentai.

The Imperial Japanese Government in addition to the capital mentioned in the foregoing paragraph shall subscribe on December 1, 1920, shares to the amount of 120,000,000 Yen in accordance with law No. 34 of 1920, in return for which the company shall issue to it 2,400,000 shares.

The Imperial Japanese Government on the date of subscribing the shares mentioned in the foregoing paragraph shall accept the liability of paying the capital and interest of the sterling debentures issued by the company in London to the total face value of 12,000,000 pounds sterling in lieu of paying 117,156,000 Yen for the shares.

ARTICLE XXIII.—Each shareholder shall have the right to one vote for each share owned by him.

ARTICLE XXIV.—The shareholders and their legal representatives shall report to the company their domiciles, names and a copy of their legal seals, when they acquire shares. When any alteration in the above facts has taken place, similar measures shall be taken.

Shareholders and their legal representatives domiciled abroad may be required to designate provisional domiciles or representatives in Japan. In such cases provisional domiciles and the representatives shall be reported to the company, as well as any changes in the same.

Chapter IV.—General Meetings

ARTICLE XXV.—An ordinary general meeting shall be called by the president in June every year, and extraordinary general meetings when the president or the inspectors deem them necessary, or when shareholders owning at least one tenth or more of the total number of shares have presented a written request stating the objects and reasons for holding a general meeting. When the shareholders have requested a general meeting to be called, the president shall take steps for calling the same within fourteen days.

ARTICLE XXVI.—The discussion at a general meeting shall be confined to the subjects previously announced.

ARTICLE XXVII.—The date, time and place of a general meeting shall be determined by the president, and a notice to that effect shall be sent out to the shareholders at least fourteen days in advance of such meeting.

ARTICLE XXVIII.—The president shall act as chairman of a general meeting.

ARTICLE XXIX.—The shareholders may appoint only shareholders of this company as their representatives, and their powers of attorney shall be presented to the company.

ARTICLE XXX.—The chairman of the general meeting shall be allowed to exercise his right to vote as a shareholder.

ARTICLE XXXI.—Resolutions of a general meeting shall be adopted by a majority vote of the shareholders present. In case of a tie, the chairman shall have the casting vote.

ARTICLE XXXII.—The issuance of company debentures or amendments to the articles of incorporation shall be decided when shareholders representing one half or more of the total capital are present by a majority vote (as amended April 16, 1907).

If, in the case mentioned in the preceding paragraph the necessary quorum is not present, a provisional decision may be made by a majority of the shareholders present. A notification giving the essental details of the said provisional decision shall be sent to each shareholder, and another general meeting shall be called in not less than one month.

At the second general meeting the said provisional decision shall be confirmed or rejected by a majority vote of the shareholders present.

ARTICLE XXXIII.—The minutes of a general meeting shall be recorded in the proceedings of the general meetings, and the same shall bear the signatures and seals of the president and chief officers present.

ARTICLE XXXIV.—The chairman of the general meeting may adjourn the meeting or change the place of meeting. The discussion at an adjourned meeting shall be confined to the subjects on which no decision was made at the preceding meeting.

Chapter V.—Chief Officers

ARTICLE XXXV.—The chief officers of this company shall be as follows:

President	1
Vice-President	1
Directors	4 or more
Inspectors	3 to 5

ARTICLE XXXVI.—The term of office of the president and vice-president shall be five years, and they shall be appointed by the Government subject to the Imperial sanction.

The term of office of the directors shall be four years, and they shall be appointed by the Government from among those who own one hundred shares or more.

The term of office of the inspectors shall be three years, and they are to be elected by the shareholders at a general meeting of the shareholders.

ARTICLE XXXVII.—The renumerations and allowances of the president, vice-president and directors shall be determined by the Government.

The renumeration of the inspectors shall be determined by a resolution of a general meeting of the shareholders.

ARTICLE XXXVIII.—The directors are required, during their term of office, to deposit with the inspectors one hundred shares of the company owned by them. These shares shall not be returned to their owners even on their retirement from office until all affairs transacted during their term of office shall have been approved at a general meeting.

ARTICLE XXXIX.—In the event of the office of any inspector becoming vacant, an extraordinary general meeting of the shareholders shall be called for the purpose of a by-election, and the new inspector shall hold office during the remainder of the term of office of this predecessor.

However, a by-election may be postponed until the next general meeting of the shareholders, except when the number of inspectors has decreased to two or less.

ARTICLE XL.—The president shall represent the company and have general control of all its affairs.

The vice-president shall represent the president when he is prevented from discharging his official duties, and shall act as president when that office is left vacant.

When the president and vice-president are prevented from discharging their duties, the Government shall cause one of the directors to act for the president (added June 27, 1906). The vice-president and the directors shall assist the president, and each shall take charge of a part of the business of the company. The inspectors shall inspect the affairs of the company.

ARTICLE XLI.—During their respective terms of office the president, vice-president and directors shall not engage in any other occupations or business under any name whatever without the permission of the Government.

ARTICLE XLII.—The president shall keep at the head-office as well as the branch office copies of the Articles of Incorporation and of the Record of Resolutions of the general meetings of shareholders. He shall also keep at the head office the Register of Shareholders and the Ledger of Debentures.

ARTICLE XLIII.—The president shall submit the following documents to the inspectors seven days in advance of the date set for the ordinary general meeting of shareholders:

(1) An inventory of the company's properties.

(2) A balance sheet.

(3) A report on the company's works.

(4) An account of the profits and losses.

(5) Proposals relating to the reserve funds and to the dividends.

ARTICLE XLIV.—The president shall have in readiness at the head office before the day of an ordinary general meeting of the shareholders the documents mentioned in the preceding articles and the inspector's report.

ARTICLE XLV.—The president shall submit to an ordinary general meeting of the shareholders the documents mentioned in Article 43 and obtain its approval.

The president shall publish the balance sheet when he has obtained the approval mentioned in the preceding paragraph.

ARTICLE XLVI.—The inspectors are required to examine the documents to be submitted by the president to a general meeting of shareholders and to report their views at the said meeting.

ARTICLE XLVII.—The inspectors may at any time demand the president to report on the business of the company, and may examine the management of its affairs and the condition of its properties.

Chapter VI.—Supervisors

ARTICLE XLVIII.—The supervisors of the South Manchuria Railway Joint Stock Company may at any time inspect the arrangements of the company's work, or examine the safes and books of the company, as well as the various documents and articles belonging to it.

The supervisors may, whenever they deem it necessary, order the company to report on the various business accounts and the condition of the company.

The supervisors may attend the general meetings of the shareholders or any other meetings and express their opinions, but they are not entitled to vote.

Chapter VII.—Accounts

ARTICLE XLIX.—The business year of this company shall commence on April 1 and end on March 31 of the following year (as amended March 11, 1912).

ARTICLE L.—The company shall set aside as a reserve fund one-twentieth or more of the profits, whenever they are apportioned until the reserve funds amount to one-fourth of the capital.

Special reserve funds other than that provided for in the preceding paragraph shall be determined by a resolution of the general meeting.

ARTICLE LI.—The dividends to the shareholders shall be paid according to the Register of Shareholders as it stands on June 1 (as amended March 11, 1912).

ARTICLE LII.—When the company is certain to be able to pay dividends for the business year, it may, before the termination of that year, pay once only to the shareholders other than the Japanese and Chinese Governments, dividends equal to the amount paid up on shares multiplied by one-half the estimated rate of dividend, the amount so paid not exceeding the amount brought forward from the preceding year.

The portional dividends paid in accordance with the provisions of the two foregoing paragraphs shall in respect to the accounts of the company for the business year in question be deemed to be company property, and the distribution of the profits at an ordinary general meeting shall be determined on the basis of such estimate; provided, however, that the payment of dividends to shareholders other than the Japanese and Chinese Governments shall irrespective of changes in shareholders in the meantime, be made by paying over the balance after deducting from the amount (of the declared dividend) the amount distributed in accordance with paragraph 1 (as amended August 25, 1917).

ARTICLE LIII.—When the dividend of the company does not exceed six per cent. per annum of the capital paid in by the shareholders, the dividend on the shares owned by the Government need not be paid.

The shares owned by the Chinese Government shall be dealt with in a similar way to those owned by the Imperial Japanese Government.

ARTICLE LIV.—The payment of interest on the debentures which the company may issue for the reconstruction of the railways or for the operation of the accessory business, and on those which the company may issue for consolidating or redeeming old debentures, shall be guaranteed by the Imperial Japanese Government. The reimbursement of the principal may also, if necessary, be guaranteed by the Imperial Japanese Government.

The total amount of debentures to be guaranteed by the Imperial Japanese Government shall be less than twice the paid up capital and shall not exceed the authorized capital (as amended February 5, 1910).

ARTICLE LV.—For the debentures issued in accordance with the provisions of the first paragraph of the preceding Article, the Government shall supply the amount corresponding to the interest on the debentures.

When the dividend on the capital paid up by the shareholders exceeds six per cent. per annum, the surplus shall first be applied to the payment of the interest on the debentures. However, in this case the amount of surplus shall be deducted from the money to be supplied by the Government mentioned in the preceding paragraph.

ARTICLE LVI.—When there is any surplus after paying the interest on the debentures, as mentioned in the preceding article, out of the profits of the company's business, the said surplus shall be apportioned to the shares owned by the Governments of Japan and China until the rate equals the respective amounts paid up by all shareholders.

Provided, however, that when the dividends on the shares owned by the Japanese and Chinese Governments reach 4.3 per cent. per annum a second dividend may be paid not exceeding 4 per cent. on the paid up capital of the shareholders (added June 20, 1914, and amended September 11, 1920).

ARTICLE LVII.—The money to be supplied by the Imperial Japanese Government, as provided for in Article 55, shall bear interest at six per cent. per annum. The interest shall be added annually to the principal, and the total shall be the company's indebtedness to the Imperial Japanese Government.

When the dividend for shares shall exceed ten per cent. per annum,

the surplus shall be devoted to the redemption of the company's debt mentioned in the preceding paragraph.

Chapter VIII.—Expenses for Organizing the Company

ARTICLE LVIII.—The expenses for organizing the company shall not exceed 50,000 Yen.

Of the amount mentioned in the preceding paragraph that advanced by the Government shall be reimbursed by the company.

Supplementary Article

ARTICLE LIX.—Five hundred thousand shares representing 50,000,000 Yen included in the additional capitalization authorized by resolution of a special general meeting of the shareholders on April 16, 1920 shall be issued at above par; provided, that there shall be no objection to issuing it in instalments (as amended April 16, 1920).

No. 14

(JAPAN AND CHINA)

Treaty respecting South Manchuria and Eastern Inner Mongolia — May 25, 1915

His Excellency the President of the Republic of China and His Majesty the Emperor of Japan, having resolved to conclude a Treaty with a view to developing their economic relations in South Manchuria and Eastern Inner Mongolia, have for that purpose named as their Plenipotentiaries, that is to say;

His Excellency the President of the Republic of China, Lou Tseng-tsiang, Chung-ching, First Class Chia-ho and Minister of Foreign Affairs; and His Majesty the Emperor of Japan, Hioki Eki, Jushii, Second Class of the Imperial Order of the Sacred Treasure, Minister Plenipotentiary and Envoy Extraordinary;

Who, after having communicated to each other their full powers, and found them to be in good and due form, have agreed upon and concluded the following Articles:—

ARTICLE I.—The two High Contracting Parties agree that the term of lease of Port Arthur and Dalny and the terms of the South Manchuria Railway and Antung-Mukden Railway, shall be extended to 90 years.

ARTICLE II.—Japanese subjects in South Manchuria may, by negotiation, lease land necessary for erecting suitable buildings for trade and manufacture or for prosecuting agricultural enterprises.

ARTICLE III.—Japanese subjects shall be free to reside and travel in South Manchuria and to engage in business and manufacture of any kind whatsoever.

ARTICLE IV.—In the event of Japanese and Chinese desiring jointly to undertake agricultural enterprises and industries incidental thereto, the Chinese Government may give its permission.

ARTICLE V.—The Japanese subjects referred to in the preceding three articles, besides being required to register with the local Authorities passports

which they must procure under the existing regulations, shall also submit to the police laws and ordinances and taxation of China.

Civil and criminal cases in which the defendants are Japanese shall be tried and adjudicated by the Japanese Consul; those in which the defendants are Chinese shall be tried and adjudicated by Chinese Authorities. In either case an officer may be deputed to the court to attend the proceedings. But mixed civil cases between Chinese and Japanese relating to land shall be tried and adjudicated by delegates of both nations conjointly in accordance with Chinese law and local usage.

When, in future, the judicial system in the said region is completely reformed, all civil and criminal cases concerning Japanese subjects shall be tried and adjudicated entirely by Chinese law courts.

ARTICLE VI.—The Chinese Government agrees, in the interest of trade and for the residence of foreigners, to open by China herself, as soon as possible, certain suitable places in Eastern Inner Mongolia as Commercial Ports.

ARTICLE VII.—The Chinese Government agrees speedily to make a fundamental revision of the Kirin-Changchun Railway Loan Agreement, taking as a standard the provisions in railway loan agreements made heretofore between China and foreign financiers.

When in future, more advantageous terms than those in existing railway loan agreements are granted to foreign financiers in connection with railway loans, the above agreement shall again be revised in accordance with Japan's wishes.

ARTICLE VIII.—All existing treaties between China and Japan relating to Manchuria shall, except where otherwise provided for by this Treaty, remain in force.

ARTICLE IX.—The present Treaty shall come into force on the date of its signature. The present Treaty shall be ratified by His Excellency the President of the Republic of China and His Majesty the Emperor of Japan, and the ratifications thereof shall be exchanged at Tokio as soon as possible.

In witness whereof the respective Plenipotentiaries of the two High Contracting Parties have signed and sealed the present Treaty, two copies in the Chinese language and two in Japanese.

Done at Peking this twenty-fifth day of the fifth month of the fourth year of the Republic of China, corresponding to the same day of the same month of the fourth year of Taisho.

No. 15

Exchange of Notes respecting Railways and Taxes in South Manchuria and Eastern Inner Mongolia — April 5, 1915

Peking, the 25th day of the 5th month of the 4th year of the Republic of China.

Monsieur le Ministre,

In the name of my Government, I have the honour to make the following declaration to your Government:

China will hereafter provide funds for building necessary railways in South Manchuria and Eastern Inner Mongolia; if foreign capital is required

China may negotiate for a loan with Japanese capitalists first; and further, the Chinese Government, when making a loan in future on the security of the taxes in the above-mentioned places (excluding the salt and customs revenue which have already been pledged by the Chinese Central Government) may negotiate for it with Japanese capitalists.

I avail, etc.,

His Excellency,
Hioki Eki,
Japanese Minster.

(Signed) Lou Tseng-tsiang.

Reply

Peking, the 25th day of the 5th month of the 4th year of Taisho.

Excellency,

I have the honour to acknowledge the receipt of Your Excellency's note of this day's date respecting railways and taxes in South Manchuria and Eastern Inner Mongolia in which you state:

China will hereafter provide funds for building necessary railways in South Manchuria and Eastern Inner Mongolia; if foreign capital is required China may negotiate for a loan with Japanese capitalists first; and further, the Chinese Government, when making a loan in future on the security of taxes in the above-mentioned places (excluding the salt and customs revenue which has already been pledged by the Chinese Central Government) may negotiate for it with Japanese capitalists first.

In reply I beg to state that I have taken note of the same.

I avail, etc.,

His Excellency,
Lou Tseng-tsiang,
Minister of Foreign Affairs.

(Signed) Hioki Eki.

No. 16

(JAPAN AND CHINA)

Preliminary Agreement for Loan for the Construction of Kirin-Hueining Railway — June 18, 1918

For the purpose of constructing the railway from Kirin, in the Republic of China, to Hueining, through the Southern part of Yenchi (Chientao) and the Tumen River, the Government of the Republic of China (hereinafter called A) hereby enters into the present preliminary agreement with the three Japanese Banks, the Industrial Bank of Japan, the Bank of Chosen and the Bank of Taiwan, represented by the Industrial Bank of Japan (hereinafter called B) as the basis of a formal loan agreement for the same Railway:—

ARTICLE I.—A shall with due promptness outline the amount of funds required for the construction of the railway and other items of necessary expenditure and bring it to the notice of B for its consent.

In accordance with the amount of funds required as referred to above, B shall issue 5 per cent. public loan bonds of the Republican Government of China gold currency for A.

ARTICLE II.—The period for the redemption of the present loan shall be limited to forty years. Redemption of the loan shall begin from the 11th year calculating from the date of the issue of the bonds, and the method of yearly-instalment redemption shall be followed.

ARTICLE III.—As soon as the formal agreement for the Kirin-Hueining Railway loan is signed, A shall begin to construct the line so as to hasten its completion.

ARTICLE IV.—A shall build the railway bridge over the Tumen River conjointly with the Railway Department of the Office of the Japanese Governor General for Korea and shall share half of the expense thereof.

Regarding through traffic between this railway and the railways in Korea, a separate agreement shall be entered into with a view to developing the traffic and securing the smooth co-operation of the two railways concerned.

ARTICLE V.—A shall pledge the following assets to B as security for payment of interest and redemption of the present loan bonds:

All the property owned by and the revenue due to the railway either at present or in the future.

Without the approval of B, A shall not offer either the property or the revenue of the railway to others as loan security.

ARTICLE VI.—The actual amount of funds to be received by A out of the issue of the present loan bonds shall be such as to be more profitable to A than what is stipulated in the Ssupingkai-Chengchiatun Railway Loan Agreement concluded on December 17 of the 4th year of the Republic.

The rate at which the present loan bonds are to be issued shall be fixed according to the circumstances under which they are issued.

ARTICLE VII.—Regarding the particulars which are not provided for under the foregoing articles, they shall be decided upon by A and B in accordance with the Tientsin-Pukow Railway Loan Agreement signed on the 10th of the 12th moon of the 33rd Year of Kuanghsu.

ARTICLE VIII.—The present preliminary agreement shall be the basis of the formal agreement for the Kirin-Hueining Railway Loan, which shall be concluded within six months after the conclusion of the present preliminary agreement.

ARTICLE IX.—Upon the conclusion of the present preliminary agreement, B shall pay to A an advance of $10,000,000 in full without any deduction for commission.

ARTICLE X.—The advance referred to above shall bear $7\frac{1}{2}$ per cent. interest per annum; that is, $7\frac{1}{2}$ yen shall be paid for the yearly interest on every 100 yen.

ARTICLE XI.—The advance shall be paid to A in specie in exchange for the Treasury Notes by A.

ARTICLE XII.—The Treasury Notes mentioned in the foregoing article shall be subject to change every six months. At each occasion of their change for new ones, the interest due for the said period shall be paid to B.

ARTICLE XIII.—After the conclusion of the formal agreement for the Kirin-Hueining Railway Loan, the advance shall have the preferential right of being repaid with the proceeds from the issue of the loan bonds referred to above.

ARTICLE XIV.—The payment of the advance, its redemption and the

payment of its interest and other transactions in connection therewith shall be carried out at Tokio.

Two copies of the present preliminary agreement shall be written in the Chinese language and two copies in the Japanese language, and A and B shall each keep one copy written in each language. In case any dispute arises with regard to the interpretation of the agreement, the text of the one written in Japanese shall be considered as authoritative.

No. 17

(JAPAN AND CHINA)

Preliminary Agreement for Loan for Railways in Manchuria and Mongolia — September 28, 1918

The following preliminary agreement has been concluded between the Government of the Chinese Republic (hereinafter called the Government) and the Industrial Bank of Japan, representing the Industrial Bank of Japan, the Bank of Taiwan and the Bank of Chosen (hereinafter called the Banks), with the object of concluding a loan contract for the purpose of building a railway between Jehol and Taonan, a railway between Changchun and Taonan, a railway between Kirin and Kaiyuan by way of Hailung, and a railway from a point on the Jehol-Taonan Railway to a certain seaport (hereinafter called the Four Railways of Manchuria and Mongolia).

ARTICLE I.—The Government shall permit the Banks to raise all the funds required for building the Jehol-Taonan, Changchun-Taonan, Kirin-Kaiyuan Railways, and the railway between a point on the Jehol-Taonan Railway to a certain seaport, by means of Chinese Government bonds of the Jehol-Taonan Railway, bonds of the Changchun-Taonan Railway, bonds of the Kirin-Kaiyuan Railway, and bonds of the. . . . .railway respectively (hereinafter called the gold bonds of the Four Manchuria and Mongolian Railways). Provided, however, that the route of the railway from a point on the Jehol-Taonan Railway to a certain seaport shall be decided upon by consultation between the Government and the Banks.

ARTICLE II.—The Government shall speedily determine the expense for constructing the Four Railways of Manchuria and Mongolia and all other expenses necessary, and shall obtain the approval of the Banks.

ARTICLE III.—The term of the gold loan of the Four Railways of Manchuria and Mongolia shall be forty years. The redemption of the principal, to be refunded by annual instalments, shall commence after eleven years, counting from the issue of the loan.

ARTICLE IV.—With the conclusion of the loan contract, the Government shall consult the Banks as to the plan of work to be started according to the plan agreed upon, with a view to speedy construction.

ARTICLE V.—The Government shall offer the following to the Banks as security for the payment of the principal and interest on the loans:—
All the property and revenue of the Four Railways of Manchuria and Mongolia, at present and in the future.

The Government shall not offer the above-mentioned property and revenue to other parties unless the approval of the Banks is obtained.

ARTICLE VI.—The issue price, interest, net amount to be received by

the Government, and other conditions, shall be agreed upon between the parties in as favorable terms as possible to the Government when the loan is issued.

ARTICLE VII.—Matters which are not provided for in the foregoing Articles shall be agreed upon by consultation between the Government and the Banks.

ARTICLE VIII.—A formal loan contract shall be concluded within four months after the conclusion of the present preliminary agreement.

ARTICLE IX.—With the conclusion of the preliminary contract the Banks shall advance twenty million yen of Japanese currency to the Government. The advance shall be delivered without charging any commission.

ARTICLE X.—Interest on the advance shall be paid at the rate of eight per cent. per annum or Yen Eight per Yen 100.

ARTICLE XI.—The advance shall be delivered in the form of the discount of Treasury Bills issued by the Government.

ARTICLE XII.—The Treasury Bills mentioned in the preceding paragraph shall be renewed every six months, and an amount shall be paid into the Banks equal to six months' interest.

ARTICLE XIII.—After the final agreement for the loan for the Four Railways in Manchuria and Mongolia has been effected, the Government shall repay previous advances preferentially and without delay from the funds obtained by the issue of a public loan.

ARTICLE XIV.—The collection, repayment, payment of interest, and all other payments of the previous advances, shall be made at Tokyo, Japan.

Two sets each in Japanese and Chinese of the preliminary agreement shall be prepared and signed, and the Government and the Banks shall retain a copy of each.

In case a dispute should arise concerning the interpretation of this preliminary agreement, it shall be interpreted according to the Japanese text.

September 28, 7th Year of Taisho.

(Signed) Industrial Bank of Japan,
Eijiro Ono,
Vice-President.
Chang Tsung-hsiang,
Envoy Extraordinary and Minister
Plenipotentiary of China.

No. 18

Imperial Ordinance respecting Organization of the Government of Kwantung — April 12, 1919

1.—The Kwantung Government shall be established in Kwantung Province.

2.—The Kwantung Government shall have a Governor (Chokan).

The Governor of Kwantung shall have jurisdiction over Kwantung Province, and shall exercise control over the policing of the railway lines in South Manchuria.

The Governor of Kwantung shall supervise the business of the South Manchuria Railway Company.

3.—The Governor of Kwantung shall be of Shinnin rank.

When a military officer is appointed as Governor of Kwantung he shall assume, in addition, the command of the Kwantung army.

4.—The Governor of Kwantung shall carry on administrative business under the supervision of the Prime Minister; but with reference to international affairs he shall be under the supervision of the Foreign Minister.

5.—The Governor of Kwantung may in accordance with his administrative powers or with special delegation of authority issue orders, the infringement of which may be punished by him with imprisonment not to exceed one year or with a fine not to exceed one hundred yen.

6.—In case urgent measures are necessary for the preservation of peace and order, the Governor of Kwantung may issue orders attaching penalties exceeding the limitations of the foregoing article.

Orders which have been issued in accordance with the provisions of the foregoing paragraph shall be submitted for Imperial sanction immediately through the Prime Minister. If Imperial sanction is not obtained the Governor of Kwantung shall immediately give notice that the orders are in future invalid.

7.—When the Governor of Kwantung deems it necessary for the preservation of peace and order within the districts under his jurisdiction or for the protection of the railway lines, he may request the Commander of the Kwantung army for the use of military force.

8.—When the Governor of Kwantung deems that an order issued or a measure adopted by an office under his jurisdiction is contrary to the rules, injurious to public welfare or exceeds official authority, he may suspend or cancel the order or measure.

9.—The Governor of Kwantung shall assume control over all officials under his jurisdiction; the appointment or dismissal of officials of Sonin rank shall be submitted through the Prime Minister for Imperial sanction, and the appointment or dismissal of officials of Hannin rank shall be effected at his own discretion.

10.—The Governor of Kwantung shall submit through the Prime Minister for Imperial sanction the decoration of officials under him.

11.—The Governor of Kwantung shall be empowered to discipline the officials under him. He shall submit through the Prime Minister for Imperial sanction the dismissal of Chokunin and Sonin Officials.

12.—There shall be established in the Kwantung Government a Governor's Secretariat and sections of civil and foreign affairs. The Governor shall determine the apportioning of work in the Governor's Secretariat and the sections of civil and foreign affairs.

13.—The Kwantung Government shall be divided into two districts in each of which an office of civil affairs shall be established. The Governor of Kwantung shall determine their location, names and boundaries of jurisdiction.

14.—Branch civil offices shall be established at important points in order to distribute the work of civil offices. The Governor of Kwantung shall determine their location, names and boundaries of jurisdiction.

14.—In the Government of Kwantung the following officials shall be appointed:

Chief Secretary		Chokunin rank
Chief of Section of Civil Affairs		,,
,, Foreign Affairs		,,
One Councillor		Sonin rank
Seven Secretaries (one of whom may be of Chokunin rank)		,,
Police Officer, one		,,
Private Secretary, one		,,
Educational Officer, one		,,
Nine Engineers		,,
Nine Police Officers		,,
Two Translators		,,
Clerks		,,
School Officers		,,
Police Officers		,,
Engineers' Assistants	173	Hannin rank
Translators' Assistants		,,
Police Assistants	99	,,

The position of Chief of the Section of Civil Affairs, Chief Secretary, and Chief of the Section of Foreign Affairs shall be filled by the Consul General at Mukden.

The positions of secretaries may be filled as additional posts by consuls in South Manchuria.

The Government of Kwantung shall have an adviser for communications. This position shall be filled by the President of the South Manchuria Railway Company.

(The remaining 24 articles deal with the duties of these various officials.)

Supplementary Rules.—This Ordinance shall be effective from the date of its promulgation.

The Organization of the Kwantung Government General is hereby abolished.

No. 19

Exchange of Notes relating to New Consortium Agreement — May 11, 1920

Tokyo, Japan, May 11, 1920.

N. Kajiwara, Esquire,

Tokio, Japan.

Dear Sir:

We beg to acknowledge, with thanks, the receipt of your communication of May 11th, 1920, informing us, in behalf of the Japanese Banking Group that, under the instructions of your Government, you have now withdrawn your letter dated June 18th, 1919, and have adopted, in association with the Banking Groups of America, Great Britain and France and on like terms with them, the agreement for the establishment of a New Consortium in respect to China.

We are happy to note that certain points that had hitherto been somewhat obscure to your Group and to your Government have now been

made plain, and we trust with you that the way is clear for the Consortium to undertake operations.

Inasmuch as some questions have arisen during our discussions as to the status of specific railway enterprises contemplated or actually begun in Manchuria and Mongolia, we hereby confirm that we have agreed with you as follows:

(1) That the South Manchuria Railway and its present branches, together with the mines which are subsidiary to the railway, do not come within the scope of the Consortium;

(2) That the projected Taonanfu-Jehol Railway and the projected railway connecting a point on the Taonanfu-Jehol Railway with a seaport are to be included within the terms of the Consortium Agreement;

(3) That the Kirin-Hueining, the Chengchiatun-Taonanfu, the Changchun-Taonanfu, the Kaiyuan-Kirin (via Hailung), the Kirin-Changchun, the Hsinminfu-Mukden and the Ssupingkai-Chengchiatun Railways are outside the scope of the joint activities of the Consortium.

The foregoing letter of acknowledgment, although written in behalf of the American Banking Group, has, we are assured, the cordial approval of the British and French Banking Groups, also of the Government of the United States, of Great Britain and of France.

Pray be good enough to present our regards to your colleagues in the Japanese Banking Group and our best wishes for the success of the joint Four-Power Undertaking.

Very truly yours,

(Signed) Thomas W. Lamont,

For and in behalf of the American Group.

No. 20

New Consortium Agreement — October 15, 1920

The Hongkong and Shanghai Banking Corporation, having its office at 9 Gracechurch Street in the City of London (hereinafter called "the Hongkong Bank") of the first part,

The Banque de L'Indo-Chine, having its office at 15 bis Rue Laffite, Paris (hereinafter called "the French Bank") of the second part,

The Yokohama Specie Bank Limited, having its office at Yokohama in Japan (hereinafter called "the Japanese Bank") of the third part, and,

Messrs. J. P. Morgan & Co., Messrs. Kuhn Loeb & Co., the National City Bank of New York, the Guaranty Trust Company of New York, Messrs. Lee, Higginson & Co., of Boston and the Continental and Commercial Trust and Savings Bank of Chicago (hereinafter called "the American Managers") acting as to the United Kingdom by Messrs. Morgan, Grenfell and Co., of 22 Old Broad Street in the City of London, and as to France by Messrs. Morgan, Marjes & Co., of Paris, of the fourth part.

Whereas the Hongkong Bank, the French Bank, the Japanese Bank and the American Managers are acting for the purposes of this Agreement as the representatives of the British, French, Japanese and American Groups respectively,

And whereas the British, French, Japanese and American Groups were formed with the object of negotiating and carrying out Chinese loan business;

And whereas their respective Governments have undertaken to give their complete support to their respective national groups the parties hereto in all operations undertaken pursuant to the agreement hereinafter contained, and have further undertaken that in the event of competition in the obtaining of any specific loan contract the collective support of the diplomatic representatives in Peking of the four Governments will be assured to the parties hereto for the purpose of obtaining such contract;

And whereas the said national groups are of the opinion that the interests of the Chinese people can in existing circumstances best be served by the co-operative action of the various banking groups representing the investment interests of their respective countries in procuring for the Chinese Government the capital necessary for a programme of economic reconstruction and improved communications;

And whereas with these objects in view the respective national groups are prepared to participate on equal terms in such undertakings as may be calculated to assist China in the establishment of her great public utilities and to these ends to welcome the co-operation of Chinese capital;

Now it is hereby agreed by and between the parties hereto as follows:

1.—Each Group reserves to itself the right of increasing or reducing the number of its own members, but so that any member of a group dropping out shall remain bound by the restrictive provisions hereof and any member of a group coming in shall become subject to the restrictive provisions hereof, and so that no group shall (without the consent of the others) be entitled to admit into its group a new member who is not of its nationality and domiciled in its market. The admission of any new group shall be determined by the parties hereto subject to the approval of their respective Governments.

2.—This agreement relates to existing and future loan agreements which involve the issue for subscription by the public of loans to the Chinese Government or to Chinese Government Departments or to Provinces of China or to companies or corporations owned or controlled by or on behalf of the Chinese Government or any Chinese Provincial Government or to any party if the transaction in question is guaranteed by the Chinese Government or Chinese Provincial Governments but does not relate to agreements for loans to be floated in China. Existing agreements relating to industrial undertakings upon which it can be shown that substantial progress has been made may be omitted from the scope of this agreement.

3.—The existing agreements and any future loan agreements to which this agreement relates and any business arising out of such agreements respectively shall be dealt with by the said groups in accordance with the provisions of this agreement.

4.—This agreement is made on the principle of complete equality in every respect between the parties hereto and each of the parties hereto shall take an equal share in all operations and sign all contracts and shall bear an equal share of all charges in connection with any business (except stamp duties and any charges of and in connection with the realization by the

parties hereto in their respective markets of their shares in the operations) and the parties hereto shall conclude all contracts with equal rights and obligations as between themselves and each party shall have the same rights, privileges, prerogatives, advantages, responsibilities and obligations of every sort and kind. Accordingly preliminary advances on account of or in connection with business to which this agreement relates shall be borne by each of the parties hereto in equal shares and each of the parties hereto shall be entitled to participate equally in the existing agreements and will offer to the other parties hereto an equal participation with itself in any future loan business falling within the scope of this agreement. Should one or more of the parties hereto decline a participation in the existing agreements or any of them or in any such future loan business as aforesaid the party or parties accepting a participation therein shall be free to undertake the same but shall issue on its or their markets only.

5.—All contracts shall so far as possible be made so as not to impose joint liability on the parties hereto but each of the parties hereto shall severally liquidate its own engagements or liabilities. The parties hereto will so far as possible come to an understanding with regard to the realization of the operations but so that such realization in whatever manner this may take place shall be for the separate benefit of each of the parties hereto as regards their respective participations therein and so that each of the parties hereto shall be entitled to realize its participation in the operations only in its own market it being understood that the issues in the respective markets are to be made at substantial parity.

6.—Any one or more of the parties hereto who shall have accepted its or their participation in any business hereunder shall be entitled by notice in writing to call upon the other or others of the parties hereto who propose to issue their own respective participations to issue for the account of the party or parties giving such notice or notices either all or one-half of the amount which may constitute the participation of the party or parties, giving such notice or notices and the party or parties so called upon shall issue the said amount or amounts (hereinafter called "the Residuary Participation") specified in such notice or notices upon and subject to the terms and conditions following, viz.:

(1) Such notice or notices must be received by the other or others of the parties hereto before the execution of the final agreement for issue of the loan or (in the case of an issue of a part only of the loan) of so much thereof as the parties hereto may from time to time agree to issue.

(2) The party or parties to whom such notice or notices shall have been given shall be entitled to decide among themselves and without reference to the party or parties giving such notice or notices as to which one or more of them shall issue the Residuary Participation but in default of any such decision they shall issue the same equally between them.

(3) In issuing the Residuary Participation no distinction shall be made between the Residuary Participation and the amount or amounts issued on its or their own account by the party or parties issuing the Residuary Participation which shall in all respects be subject

to the conditions of the respective Syndicates which may be formed for the purpose of effecting the issue.

(4) Each of the parties issuing the Residuary Participation shall be entitled to decide for itself and without reference to the party or parties giving such notice or notices as to what expenses shall be incurred in relation to the issue of the total amount issued by such party.

(5) The party or parties issuing the Residuary Participation shall be entitled between them to charge the party or parties giving such notice or notices with a commission of not exceeding 1½ per cent. on the nominal amount of the Residuary Participation and also with a pro rata share of the expenses which the issuing party or parties may in their sole discretion incur in relation to the whole issue and being in the proportion which the Residuary Participation bears to the total nominal amount of the issue.

(6) The party or parties issuing the Residuary Participation shall not by virtue of this Agreement incur any responsibility to subscribe for the Residuary Participation or to cause the same to be subscribed.

(7) Each party issuing the Residuary Participation shall apply all subscriptions received by it pro rata between the Residuary Participation issued by it and the amount issued by such party on its own account.

(8) Each of the parties issuing the Residuary Participation will apply for and use its best endeavours to obtain a quotation on its market for the total amount issued by it.

(9) No issue of the Residuary Participation or any part thereof shall be made by the party or parties giving such notice or notices unless mutually agreed by the parties hereto.

7.—No participation shall be given by any one of the parties hereto outside its own market. Any participation given in its own market by any one of the parties hereto shall be for its own market only or in the event of the issue including any of the Residuary Participation for the accounts pro rata of the issuing Bank and the party or parties giving such participation, the party giving the same shall use its best endeavours to secure that no part of such participation shall be transferred to parties outside the market of the party giving the same. Any other participation shall be given only with the consent of all parties hereto and shall be borne in equal shares by the parties hereto.

8.—This agreement shall remain in force for the period of five years from the date hereof provided nevertheless that a majority of the parties hereto may by twelve months' previous notice in writing addressed to the other parties hereto determine this agreement at any time.

In witness whereof the duly authorized representatives of the respective parties hereto have set their hands the day and year first above written.

For the Hongkong and Shanghai Banking Corporation,
On behalf of the British Group :

C. S. Addis.

For the Banque de L'Indo-Chine,
On behalf of the French Group :

Th. De La Chaume.

For the Yokohama Specie Bank, Ltd.
On behalf of the Japanese Group:
K. Takeuchi.
For and on behalf of the American Group:
J. P. Morgan & Co.
Kuhn, Loeb & Co.
The National City Bank of New York.
by J. A. Stillman, President.
The Guaranty Trust Company & Savings Bank, Chicago.
by J. R. Swan, Vice-President.
Continental & Commercial Trust & Savings Bank, Chicago.
by John Jay Abbott, Vice-President.
Chase National Bank, New York City.
by A. H. Wiggin, Chairman.
Lee, Higginson & Co.

No. 21

Statement of Japanese Delegation at Washington Conference with regard to Preferential Rights in South Manchuria and Eastern Inner Mongolia — February 2, 1922

1. Japan is ready to throw open to the joint activity of the International Consortium recently organized, the right of option granted exclusively in favour of Japanese capital, with regard, first, to loans for the construction of railways in South Manchuria and Eastern Inner Mongolia, and, second, to loans to be secured on taxes in that region; it being understood that nothing in the present declaration shall be held to imply any modification of the notes and memoranda which were exchanged among the governments of the countries represented in the Consortium and also among the national financial groups composing the Consortium, in relation to the scope of the joint activity of that organization.

2. Japan has no intention of insisting on her preferential right under the Sino-Japanese arrangements in question concerning the engagement by China of Japanese advisers or instructors on political, financial, military, or police matters in South Manchuria.

3. Japan is further ready to withdraw the reservation which she made, in proceeding to the signature of the Sino-Japanese treaties and notes of 1915, to the effect that Group V of the original proposals of the Japanese Government would be postponed for future negotiations.

No. 22

(WASHINGTON CONFERENCE)

Treaty* relating to Principles and Policies Concerning China — February 6, 1922

ARTICLE I.—The Contracting Powers, other than China, agree:

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* The Treaty was signed by Belgium, the British Empire, China, France, Italy, Japan, the Netherlands, Portugal and the United States of America.

(1) To respect the sovereignty, the independence, and the territorial and administrative integrity of China;

(2) To provide the fullest and most unembarrassed opportunity to China to develop and maintain for herself an effective and stable government;

(3) To use their influence for the purpose of effectually establishing and maintaining the principle of equal opportunity for the commerce and industry of all nations throughout the territory of China;

(4) To refrain from taking advantage of conditions in China in order to seek special rights or privileges which would abridge the rights of subjects or citizens of friendly States, and from countenancing action inimical to the security of such States.

ARTICLE II.—The Contracting Powers agree not to enter into any treaty, agreement, arrangement, or understanding, either with one another, or, individually or collectively, with any Power or Powers, which would infringe or impair the principles stated in Article I.

ARTICLE III.—With a view to applying more effectually the principles of the Open Door or equality of opportunity in China for the trade and industry of all nations, the Contracting Powers, other than China, agree that they will not seek, nor support their respective nationals in seeking:—

(a) any arrangement which might purport to establish in favour of their interests any general superiority of rights with respect to commercial or economic development in any designated region of China;

(b) any such monopoly or preference as would deprive the nationals of any other Power of the right of undertaking any legitimate trade or industry in China, or of participating with the Chinese Government, or with any local authority, in any category of public enterprise, or which by reason of its scope, duration or geographical extent is calculated to frustrate the practical application of the principle of equal opportunity.

It is understood that the foregoing stipulations of this Article are not to be so construed as to prohibit the acquisition of such properties or rights as may be necessary to the conduct of a particular commercial, industrial, or financial undertaking or to the encouragement of invention and research.

China undertakes to be guided by the principles stated in the foregoing stipulations of this Article in dealing with applications for economic rights and privileges from Governments and nationals of all foreign countries, whether parties to the present Treaty or not.

ARTICLE IV.—The Contracting Powers agree not to support any agreements by their respective nationals with each other designed to create Spheres of Influence or to provide for the enjoyment of mutually exclusive opportunities in designated parts of Chinese territory.

ARTICLE V.—China agrees that, throughout the whole of the railways in China, she will not exercise or permit unfair discrimination of any kind. In particular there shall be no discrimination whatever, direct or indirect, in respect of charges or of facilities on the ground of the nationality of passengers or the countries from which or to which they are proceeding, or the origin or ownership of goods or the country from which or to which they are consigned, or the nationality or ownership of the ship or other means of conveying such passengers or goods before or after their transport on the Chinese Railways.

The Contracting Powers, other than China, assume a corresponding obligation in respect of any of the aforesaid railways over which they or their nationals are in a position to exercise any control in virtue of any concession, special agreement or otherwise.

ARTICLE VI.—The Contracting Powers, other than China, agree fully to respect China's rights as a neutral in time of war to which China is not a party; and China declares that when she is a neutral she will observe the obligations of neutrality.

ARTICLE VII.—The Contracting Powers agree that, whenever a situation arises which in the opinion of any one of them involves the application of the stipulations of the present Treaty, and renders desirable discussion of such application, there shall be full and frank communication between the Contracting Powers concerned.

ARTICLE VIII.—Powers not signatory to the present Treaty, which have Governments recognized by the Signatory Powers and which have treaty relations with China, shall be invited to adhere to the present Treaty. To this end the Government of the United States will make the necessary communications to non-signatory Powers and will inform the Contracting Powers of the replies received. Adherence by any Power shall become effective on receipt of notice thereof by the Government of the United States.

ARTICLE IX.—The present Treaty shall be ratified by the Contracting Powers in accordance with their respective constitutional methods and shall take effect on the date of the deposit of all the ratifications, which shall take place at Washington as soon as possible. The Government of the United States will transmit to the other Contracting Powers a certified copy of the procès-verbal of the deposit of ratifications.

The present Treaty, of which the French and English texts are both authentic, shall remain deposited in the archives of the Government of the United States, and duly certified copies thereof shall be transmitted by that Government to the other Contracting Powers.

In faith whereof the above-named Plenipotentiaries have signed the present Treaty.

Done at the City of Washington the Sixth day of February One Thousand Nine Hundred and Twenty-Two.

No. 23

Agreement on General Principles for the Settlement of Questions between China and Soviet Russia — May 31, 1924

The Republic of China and the Union of Soviet Socialist Republics, desiring to re-establish normal relations with each other, have agreed to conclude an agreement on general principles for the settlement of the questions between the two countries, and have to that end named as their Plenipotentiaries, that is to say:

His Excellency the President of the Republic of China:

Vi Kyuin Wellington Koo.

The Government of the Union of Soviet Socialist Republics:

Lev Mikhailovitch Karakhan.

Who, having communicated to each other their respective full powers,

found to be in good and due form, have agreed upon the following Articles:

ARTICLE I.—Immediately upon the signing of the present Agreement, the normal diplomatic and consular relations between the two Contracting Parties shall be re-established.

The Government of the Republic of China agrees to take the necessary steps to transfer to the Government of the Union of Soviet Socialist Republics the Legation and Consular buildings formerly belonging to the Tsarist Government.

ARTICLE II.—The Governments of the two Contracting Parties agree to hold, within one month after the signing of the present Agreement, a conference which shall conclude and carry out detailed arrangements relative to the questions in accordance with the principles as provided in the following Articles.

Such detailed arrangements shall be completed as soon as possible and, in any case, not later than six months from the date of the opening of the Conference as provided in the preceding paragraph.

ARTICLE III.—The Governments of the two Contracting Parties agree to annul at the Conference as provided in the preceding Article, all Conventions, Treaties, Agreements, Protocols, Contracts, et cetera, concluded between the Government of China and the Tsarist Government, and to replace them with new treaties, agreements, et cetera, on the basis of equality, reciprocity and justice, as well as the spirit of the Declarations of the Soviet Governments of the years of 1919 and 1920.

ARTICLE IV.—The Government of the Union of Soviet Socialist Republics, in accordance with its policy and Declarations of 1919 and 1920, declares that all Treaties, Agreements, et cetera, concluded between the former Tsarist Government and any third party or parties affecting the sovereign rights or interests of China, are null and void.

The Governments of both Contracting Parties declare that in future neither Government will conclude any treaties or agreements which prejudice the sovereign rights or interests of either Contracting Party.

ARTICLE V.—The Government of the Union of Soviet Socialist Republics recognizes that Outer Mongolia is an integral part of the Republic of China and respects China's sovereignty therein.

The Government of the Union of Soviet Socialist Republics declares that as soon as the questions for the withdrawal of all the troops of the Union of Soviet Socialist Republics from Outer Mongolia — namely, as to the time-limit of the withdrawal of such troops and the measures to be adopted in the interests of the safety of the frontiers — are agreed upon at the Conference as provided in Article II. of the present Agreement, it will effect the complete withdrawal of all the troops of the Union of Soviet Socialist Republics from Outer Mongolia.

ARTICLE VI.—The Governments of the two Contracting Parties mutually pledge themselves not to permit within their respective territories the existence and/or activities of any organizations or groups whose aim is to struggle by acts of violence against the Governments of either Contracting Party.

The Governments of the two Contracting Parties further pledge themselves not to engage in propaganda directed against the political and social systems of either Contracting Party.

ARTICLE VII.—The Governments of the two Contracting Parties agree to redemarcate their national boundaries at the Conference as provided in Article II. of the present Agreement, and pending such redemarcation, to maintain the present boundaries.

ARTICLE VIII.—The Governments of the two Contracting Parties agree to regulate at the aforementioned Conference the questions relating to the navigation of rivers, lakes, and other bodies of water which are common to their respective frontiers, on the basis of equality and reciprocity.

ARTICLE IX.—The Governments of the two Contracting Parties agree to settle at the aforementioned Conference the question of the Chinese Eastern Railway in conformity with the principles as hereinafter provided:

(1) The Governments of the two Contracting Parties declare that the Chinese Eastern Railway is a purely commercial enterprise.

The Governments of the two Contracting Parties mutually declare that with the exception of matters pertaining to the business operations which are under the direct control of the Chinese Eastern Railway, all other matters affecting the right of the National and the Local Governments of the Republic of China — such as judicial matters, matters relating to civil administration, military administration, police, municipal government, taxation, and landed property (with the exception of lands required by the said Railway) — shall be administered by the Chinese Authorities.

(2) The Government of the Union of Soviet Socialist Republics agrees to the redemption by the Government of the Republic of China, with Chinese Capital, of the Chinese Eastern Railway, as well as all appurtenant properties, and to the transfer to China of all shares and bonds of the said Railway.

(3) The Governments of the two Contracting Parties shall settle at the Conference as provided in Article II. of the present Agreement the amount and conditions governing the redemption as well as the procedure for the transfer of the Chinese Eastern Railway.

(4) The Government of the Union of Soviet Socialist Republics agrees to be responsible for the entire claims of the shareholders, bondholders and creditors of the Chinese Eastern Railway incurred prior to the Revolution of March 9th, 1916.

(5) The Governments of the two Contracting Parties mutually agree that the future of the Chinese Eastern Railway shall be determined by the Republic of China and the Union of Soviet Socialist Republics, to the exclusion of any third party or parties.

(6) The Governments of the two Contracting Parties agree to draw up an arrangement for the provisional management of the Chinese Eastern Railway pending the settlement of the questions as provided under Section (3) of the present Article.

(7) Until the various questions relating to the Chinese Eastern Railway are settled at the Conference as provided in Article II. of the present Agreement, the rights of the two Governments arising out of the Contract of August 27th, September 8th, 1896, for the Construction and Operation of the Chinese Eastern Railway, which do not conflict with the present Agreement and the Agreement for the Provisional Management of the said Railway and which do not prejudice China's rights of sovereignty, shall be maintained.

ARTICLE X.—The Government of the Union of Soviet Socialist

Republics agrees to renounce the special rights and privileges relating to all concessions in any part of China acquired by the Tsarist Government under various Conventions, Treaties, Agreements, et cetera.

ARTICLE XI.—The Government of the Union of Soviet Socialist Republics agrees to renounce the Russian portion of the Boxer Indemnity.

ARTICLE XII.—The Government of the Union of Soviet Socialist Republics agrees to relinquish the rights of extraterritoriality and consular jurisdiction.

ARTICLE XIII.—The Governments of the two Contracting Parties agree to draw up simultaneously with the conclusion of a Commercial Treaty at the Conference as provided in Article II. of the present Agreement, a Customs Tariff for the two Contracting Parties in accordance with the principles of equality and reciprocity.

ARTICLE XIV.—The Governments of the two Contracting Parties agree to discuss at the aforementioned Conference the questions relating to the claims for compensation of losses.

ARTICLE XV.—The present Agreement shall come into effect from the date of signature.

In witness whereof, the respective Plenipotentiaries have signed the present Agreement in duplicate in the English language and have affixed thereto their seals.

Done at the City of Peking this Thirty-First Day of the Fifth Month of the Thirteenth Year of the Republic of China, which is the Thirty-First Day of May, One Thousand Nine Hundred and Twenty-Four.

(Seal) V. K. Wellington Koo.

(Seal) L. M. Karakhan.

No. 24

Agreement for the Provisional Management of the Chinese Eastern Railway — May 31, 1924

The Republic of China and the Union of Soviet Socialist Republics mutually recognizing that, inasmuch as the Chinese Eastern Railway was built with capital furnished by the Russian Government and constructed entirely within Chinese territory, the said Railway is a purely commercial enterprise and that, excepting for matters appertaining to its own business operations, all other matters which affect the rights of the Chinese National and Local Governments shall be administered by the Chinese Authorities, have agreed to conclude an Agreement for the Provisional Management of the Railway with a view to carrying on jointly the management of the said Railway until its final settlement at the Conference as provided in Article II. of the Agreement on General Principles for the Settlement of the Questions between the Republic of China and the Union of the Soviet Socialist Republics of May 31, 1924, and have to that end named as their Plenipotentiaries, that is so say:

His Excellency the President of the Republic of China:

Vi Kyuin Wellington Koo.

The Government of the Union of Soviet Socialist Republics:

Lev Mikhailovitch Karakhan.

Who, having communicated to each other their respective full powers, found to be in good and due form, have agreed upon the following Articles:

ARTICLE I.—The Railway shall establish, for discussion and decision of all matters relative to the Chinese Eastern Railway, a Board of Directors to be composed of ten persons, of whom five shall be appointed by the Government of the Republic of China and five by the Government of the Union of Soviet Socialist Republics.

The Government of the Republic of China shall appoint one of the Chinese Directors as President of the Board of Directors, who shall also be the Director-General.

The Government of the Union of Soviet Socialist Republics shall appoint one af the Russian Directors as Vice-President of the Board of Directors, who shall also be the Assistant Director-General.

Seven persons shall constitute a quorum, and all decisions of the Board of Directors shall have the consent of not less than six persons before they can be carried out.

The Director-General and Assistant Director-General shall jointly manage the affairs of the Board of Directors and they shall both sign all the documents of the Board.

In the absence of either the Director-General or the Assistant Director-General, their respective Governments may appoint another Director to officiate as the Director-General or the Assistant Director-General (in the case of the Director-General, by one of the Chinese Directors, and in that of the Assistant Director-General, by one of the Russian Directors).

ARTICLE II.—The Railway shall establish a Board of Auditors to be composed of five persons, namely, two Chinese Auditors, who shall be appointed by the Government of the Republic of China, and three Russian Auditors, who shall be appointed by the Government of the Union of Soviet Socialist Republics.

The Chairman of the Board of Auditors shall be elected from among the Chinese Auditors.

ARTICLE III.—The Railway shall have a Manager, who shall be a national of the Union of Soviet Socialist Republics, and two Assistant Managers, one to be a national of the Republic of China and the other to be a national of the Union of Soviet Socialist Republics.

The said officers shall be appointed by the Board of Directors and such appointments shall be confirmed by their respective Governments.

The rights and duties of the Manager and the Assistant Managers shall be defined by the Board of Directors.

ARTICLE IV.—The Chiefs and Assistant Chiefs of the various Departments of the Railway shall be appointed by the Board of Directors.

If the Chief of Department is a national of the Republic of China, the Assistant Chief of Department shall be a national of the Union of Soviet Socialist Republics, and if the Chief of Department is a national of the Union of Soviet Socialist Republics, the Assistant Chief of Department shall be a national of the Republic of China.

ARTICLE V.—The employment of persons in the various departments of the Railway shall be in accordance with the principle of equal representa-

tion between the nationals of the Republic of China and those of the Union of Soviet Socialist Republics.

ARTICLE VI.—With the exception of the estimates and budgets, as provided in Article VII. of the present Agreement, all other matters on which the Board of Directors cannot reach an agreement shall be referred for settlement to the Governments of the Contracting Parties.

ARTICLE VII.—The Board of Directors shall present the estimates and budgets of the Railway to a joint meeting of the Board of Directors and the Board of Auditors for consideration and approval.

ARTICLE VIII.—All the net profits of the Railway shall be held by the Board of Directors and shall not be used pending a final settlement of the question of the present Railway.

ARTICLE IX.—The Board of Directors shall revise as soon as possible the statutes of the Chinese Eastern Railway Company, approved on December 4, 1896, by the Tsarist Government, in accordance with the present Agreement and the Agreement on General Principles for the Settlement of the Questions between the Republic of China and the Union of Soviet Socialist Republics of May 31, 1924, and in any case, not later than six months from the date of the constitution of the Board of Directors.

Pending their revision, the aforesaid statutes, insofar as they do not conflict with present Agreement on General Principles for the Settlement of the Questions between the Republic of China and the Union of Soviet Socialist Republics, and not prejudice the rights of sovereignty of the Republic of China, shall continue to be observed.

ARTICLE X.—The present Agreement shall cease to have effect as soon as the question of the Chinese Eastern Railway is finally settled at the Conference as provided in Article II. of the Agreement on General Principles for the Settlement of the Questions between the Republics of Chita and the Union of Soviet Socialist Republics of May 31, 1924.

ARTICLE XI.—The present Agreement shall come into effect from the date of signature.

In witness whereof the respective Plenipotentiaries have signed the present Agreement in duplicate in the English language and have affixed thereto their seals.

Done at the City of Peking this Thirty-First Day of the Fifth Month of the Thirteenth Year of the Republic of China, which is, the Thirty-First Day of May, One Thousand Nine Hundred and Twenty-Four.

(Seal) V. K. Wellington Koo.
(Seal) L. M. Karakhan.

No. 25

Agreement between the Government of the Autonomous Three Eastern Provinces of the Republic of China and the Government of the Union of Soviet Socialist Republics, Mukden — September 20, 1924

The Government of the Autonomous Three Eastern Provinces of the Republic of China and the Government of the Union of Soviet Socialist Republics, desiring to promote the friendly relations and regulate the ques-

tions affecting the interests of both Parties, have agreed to conclude an Agreement between the two Parties, and to that end named as their Plenipotentiaries, that is to say:

The Government of the Autonomous Three Eastern Provinces of the Republic of China:

Cheng Tsian, Lui Yung-huan and Chung Shih-ming.

The Government of the Union of Soviet Socialist Republics:

Nikolai Kirillovich Kouznetzov.

Who, having communicated to each other their respective full powers, found to be in good and due form, have agreed upon the following Articles:

ARTICLE I

The Chinese Eastern Railway

The Governments of the two Contracting Parties agree to settle the question of the Chinese Eastern Railway as hereinafter provided:

(1) The Governments of the two Contracting Parties declare that the Chinese Eastern Railway is a purely commercial enterprise.

The Governments of the two Contracting Parties mutually declare that with the exception of matters pertaining to the business operations which are under the direct control of the Chinese Eastern Railway, all other matters affecting the rights of the National and the Local Governments of the Republic of China, such as judicial matters, matters relating to civil administration, military administration, police, municipal government, taxation and landed property (with the exception of lands required by the Chinese Eastern Railway itself) shall be administered by the Chinese Authorities.

(2) The time-limit as provided in Article XII. of the Contract for the Construction and Operation of the Chinese Eastern Railway of August 27th/September 8th, 1896, shall be reduced from eighty to sixty years, at the expiration of which the Government of China shall enter gratis into possession of the said Railway and its appurtenant properties.

Upon the consent of both Contracting Parties, the question of a further reduction of the said time-limit, that is, sixty years, may be discussed.

From the date of signing the present agreement, the Union of Soviet Socialist Republics agrees that China has the right to redeem the Chinese Eastern Railway. At the time of redemption, the two Contracting Parties shall determine what the Chinese Railway had actually cost, and it shall be redeemed by China with Chinese capital at a fair price.

(3) The Government of the Union of Soviet Socialist Republics agrees in a Commission to be organized by the two Contracting Parties to settle the question of the obligations of the Chinese Eastern Railway Company in accordance with Section 4 of Article IX. of the Agreement on General Principles for the Settlement of the Question between the Union of Soviet Socialist Republics and the Republic of China signed on May 31st, 1924, at Peking.

(4) The Governments of the two Contracting Parties mutually agree that the future of the Chinese Eastern Railway shall be determined by the Union of Soviet Socialist Republics and China to the exclusion of any third party or parties.

(5) The Contract for the Construction and Operation of the Chinese Eastern Railway of August 27th/September 8th, 1896, shall be completely revised, in accordance with the terms specified in this Agreement, by a Commission of the two Contracting Parties in four months from the date of signing the present Agreement. Pending the revision, the rights of the two Governments arising out of this Contract, which do not prejudice China's rights of sovereignty, shall be maintained.

(6) The Railway shall establish, for discussion and decision of all matters relating to the Chinese Eastern Railway, a Board of Directors to be composed of ten persons, of whom five shall be appointed by China and five by the Union of Soviet Socialist Republics.

China shall appoint one of the Chinese Directors as President of the Board of Directors, who shall be ex-officio the Director-General.

The Union of Soviet Socialist Republics shall appoint one of the Russian Directors as Vice-President of the Board of Directors, who shall be ex-officio the Assistant Director-General.

Seven persons shall constitute a quorum, and all decisions of the Board of Directors shall have the consent of not less than six persons before they can be carried out.

The Director-General and the Assistant Director-General shall jointly manage the affairs of the Board of Directors, and they shall jointly sign all the documents of the Board.

In the absence of either the Director-General or the Assistant Director-General, their respective Governments may appoint another Director to officiate as the Director-General or the Assistant Director-General (in the case of the Director-General, by one of the Chinese Directors, and in that of the Assistant Director-General, by one of the Russian Directors).

(7) The Railway shall establish a Board of Auditors to be composed of five persons, namely, two Chinese Auditors, who shall be appointed by China, and three Russian Auditors, who shall be appointed by the Union of Soviet Socialist Republics.

The Chairman of the Board of Auditors shall be elected from among the Chinese Auditors.

(8) The Railway shall have a Manager, who shall be a national of the Union of Soviet Socialist Republics, and two Assistant Managers, one to be a national of the Union of Soviet Socialist Republics, and the other to be a national of the Republic of China.

The said officers shall be appointed by the Board of Directors and such appointments shall be confirmed by their respective Governments.

The rights and duties of the Manager and the Assistant Managers shall be defined by the Board of Directors.

(9) The Chiefs and Assistant Chiefs of the various departments of the Railway shall be appointed by the Board of Directors.

If the Chief of a department is a national of the Republic of China, the Assistant Chief of that department shall be a national of the Union of Soviet Socialist Republics, and if the Chief of a department is a national of the Union of Soviet Socialist Republics, the Assistant Chief of that department shall be a national of the Republic of China.

(10) The employment of persons in the various departments of the

Railway shall be in accordance with the principle of equal representation between the nationals of the Republic of China and those of the Union of Soviet Socialist Republics.

(Note:—In carrying out the principle of equal representation, the normal course of life and activities of the Railway shall in no case be interrupted or injured, that is to say, the employment of the people of both nationalities shall be based in accordance with experience, personal qualifications and fitness of the applicants.)

(11) With the exception of the estimates and budgets as provided in Section XII. of Article I. of the present agreement, all other matters on which the Board of Directors cannot reach an agreement, shall be referred to the Governments of the Contracting Parties for a just and amicable settlement.

(12) The Board of Directors shall present the estimates and budgets of the Railway to a joint meeting of the Board of Directors and the Board of Auditors for consideration and approval.

(13) All the net profits of the Railway shall be held by the Board of Directors and shall not be used pending a final settlement, in a joint Commission, of the question of its distribution between the two Contracting Parties.

(14) The Board of Directors shall make a complete revision, as soon as possible, of the statutes of the Chinese Eastern Railway Company approved on December 4th, 1896, by the Tsarist Government in accordance with the present Agreement and not later than four months from the date of the constitution of the Board of Directors.

Pending their revision, the aforesaid Statutes, insofar as they do not conflict with the present Agreement and do not prejudice the rights of sovereignty of the Republic of China, shall continue to be observed.

(15) As soon as the conditions of the redemption by China of the Chinese Eastern Railway are settled by both Contracting Parties, or as soon as the Railway reverts to China upon the expiration of the time-limit as stipulated in Section II. of Article I. of the present Agreement, all parts of this Agreement concerning the same shall cease to have effect.

ARTICLE II

Navigation

The Governments of the two Contracting Parties agree to settle, on the basis of equality, reciprocity and the respect of each other's sovereignty, the question relating to the navigation of all kinds of their vessels on those parts of the rivers, lakes, and other bodies of water, which are common to their respective borders, the details of this question to be regulated in a Commission of the two Contracting Parties within two months from the date of signing the present Agreement.

In view of the extensive freight and passenger interests of the Union of Soviet Socialist Republics on the River Sungari up to and including Harbin, and the extensive freight and passenger interests of China on the lower Amur River into the sea, both Contracting Parties agree, on the basis of equality and reciprocity, to take up the question of securing the said interests in the said Commission.

ARTICLE III

Boundaries

The Governments of the two Contracting Parties agree to redemarcate their boundaries through a Commission to be organized by both Parties, and, pending such redemarcation, to maintain the present boundaries.

ARTICLE IV

Tariff and Trade Agreement

The Governments of the two Contracting Parties agree to draw up a Customs Tariff and conclude a Commercial Treaty in a Commission to be organized by the said Parties on the basis of equality and reciprocity.

ARTICLE V

Propaganda

The Governments of the two Contracting Parties mutually pledge themselves not to permit within their respective territories the existence and/or activities of any organizations or groups whose aim is to struggle by acts of violence against Government of either Contracting Party.

The Governments of the two Contracting Parties further pledge themselves not to engage in propaganda directed against the political and social systems of either Contracting Party.

ARTICLE VI

Commissions

The Commissions as provided in the Articles of this Agreement shall commence their work within one month from the date of signing this Agreement, and shall complete their work as soon as possible and not later than six months. This does not apply to those Commissions whose time-limits have been specified in the respective Articles of this Agreement.

ARTICLE VII

The present Agreement shall come into effect from the date of signature.

In witness whereof, the respective Plenipotentiaries have signed the present Agreement in duplicate in the Chinese, Russian and English languages, and have affixed thereto their seals.

In case of dispute, the English text shall be accepted as the standard.

Done at the City of Mukden this Twentieth Day of the Ninth Month of the Thirteenth Year of the Republic of China, which is the Twentieth Day of September, One Thousand Nine Hundred and Twenty-Four.

Signed:

Cheng Tsian (Seal)
Lui Yung-huan (Seal)
Chung Shih-ming (Seal)
Kouznetzov (Seal)

No. 26

The Treaty for the Renunciation of War as an Instrument of National Policy*

Signed at Paris, August 27, 1928; in force July 24, 1929, for Afghanistan, Albania, Australia, Austria, Belgium, Bulgaria, Canada, Chile (August 12), China, Cuba, Czechoslovakia, Denmark, Dominican Republic, Egypt, Estonia, Ethiopia, Finland, France, Germany, Great Britain, Greece (August 3), Honduras (August 5), Hungary, Iceland, India, Irish Free State, Italy, Japan, Latvia, Liberia, Lithuania, Luxemburg (August 24), Netherlands, New Zealand, Nicaragua, Norway, Panama, Persia, Peru, Poland, Portugal, Rumania, Serb-Croat-Slovene State, Siam, South Africa, Soviet Union, Spain, Sweden, Switzerland (September 5), Turkey, United States of America; Costa Rica, Haiti and Venezuela perfected adherence on August 1.

The President of the German Reich, the President of the United States of America, His Majesty the King of the Belgians, the President of the French Republic, His Majesty the King of Great Britain, Ireland and the British Dominions beyond the Seas, Emperor of India, His Majesty the King of Italy, His Majesty the Emperor of Japan, the President of the Republic of Poland, the President of the Czechoslovak Republic,

Deeply sensible of their solemn duty to promote the welfare of mankind;

Persuaded that the time has come when a frank renunciation of war as an instrument of national policy should be made to the end that the peaceful and friendly relations now existing between their peoples may be perpetuated;

Convinced that all changes in their relations with one another should be sought only by pacific means and be the result of a peaceful and orderly process, and that any signatory power which shall hereafter seek to promote its national interests by resort to war should be denied the benefits furnished by this Treaty;

Hopeful that, encouraged by their example, all the other nations of the world will join in this humane endeavor and by adhering to the present Treaty as soon as it comes into force bring their peoples within the scope of its beneficent provisions, thus uniting the civilized nations of the world in a common renunciation of war as an instrument of their national policy;

Having decided to conclude a Treaty and for that purpose have appointed as their respective plenipotentiaries:

(Here follows a list of the Plenipotentiaries)

who, having communicated to one another their full powers found in good and due form have agreed upon the following articles:

ARTICLE I.—The high contracting parties solemnly declare in the names of their respective peoples that they condemn recourse to war for the solution of international controversies, and renounce it as an instrument of national policy in their relations with one another.

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* The French and English texts are also found in the Kampo, the Japanese Official Gazette, July 24, 1929.

ARTICLE II.—The high contracting parties agree that the settlement or solution of all disputes or conflicts of whatever nature or of whatever origin they may be, which may arise among them, shall never be sought except by pacific means.

ARTICLE III.—The present Treaty shall be ratified by the high contracting parties named in the preamble in accordance with their respective constitutional requirements, and shall take effect as between them as soon as all their several instruments of ratification shall have been deposited at Washington.

This Treaty shall, when it comes into effect as prescribed in the preceding paragraph, remain open as long as may be necessary for adherence by all the other powers of the world. Every instrument evidencing the adherence of a power shall be deposited at Washington and the Treaty shall immediately upon such deposit become effective as between the power thus adhering and the other powers parties hereto.

It shall be the duty of the Government of the United States to furnish each Government named in the preamble and every Government subsequently adhering to this Treaty with a certified copy of the Treaty and of every instrument of ratification or adherence. It shall also be the duty of the Government of the United States telegraphically to notify such Governments immediately upon the deposit with it of each instrument of ratification or adherence.

In faith whereof the respective plenipotentiaries have signed this Treaty in the French and English languages both texts having equal force and hereunto affixed their seals.

Done at Paris, the twenty-seventh day of August in the year one thousand nine hundred and twenty-eight.

[Signatures of the Plenipotentiaries]

DECLARATION

The Imperial Government declare that the phraseology "in the names of their respective peoples," appearing in Article 1 of the Treaty for the Renunciation of War, signed at Paris on August 27, 1928, viewed in the light of the provisions of the Constitution of the Empire, is understood to be inapplicable in so far as Japan is concerned.

June 27, 4 Showa (1929)

No. 27

(RELATING TO DISPUTE ON THE C. E. R.)

The Sino-Soviet Agreement*

On December 22, 1929 Simanovsky, representing the Moscow Foreign Office and Mr. Tsai, representing the Chinese Republic, signed the following protocol:

1.—Preliminary conditions of the Government of the U. S. S. R. understood by both parties in full conformity with the telegram of Mr. Litvinov

* The English Translation of the Agreement is reproduced from the North China Herald, December 25, 1929.

of November 27 and the Nikolsk-Ussurisk protocol of December 3 as restoration of the situation existing prior to the conflict and based upon the Mukden and Peking agreements.

All outstanding questions which have arisen during the period of joint Soviet-Chinese management of the Railway are to be solved at the forthcoming conference. Accordingly the following measures are to be immediately carried out:

(a) Restoration, on basis of the old agreements, of the activity of the Management of the C. E. R. and resumption by Soviet members of the Management of their duties. Henceforth the Chinese Chairman of the Management and Soviet Vice-Chairman of the Management must act only jointly in conformity with article 6 of the Soviet-Mukden agreement.

(b) Restoration of the former proportion of offices held by Soviet and Chinese citizens and reinstatement (or immediate appointment of new candidates should such be recommended on the Soviet side) of Soviet citizens, chief officers and assistant chiefs of departments.

(c) Orders and instructions on the C. E. R. issued on behalf of Management and Administration of C. E. R. beginning on July 10, 1929 are considered invalid unless properly confirmed by the local management and administration of the road.

2.—All Soviet citizens without exception arrested by Chinese authorities after May 1, 1929 and in connection with the conflict immediately to be released without subdivision into any categories, including Soviet citizens arrested during the search of the Harbin Consulate on May 27, 1929.

The Government of the U. S. S. R. also immediately releases all Chinese citizens without exception arrested in connection with the conflict and interned Chinese soldiers and officers.

3.—All workers and employees of the C. E. R., citizens of the U. S. S. R. discharged or resigned, beginning July 10, to be given the right and opportunity immediately to return to positions held prior to discharge and to receive money owing them from C. E. R.

Those discharged and resigned, who fail to utilize this right must immediately be paid full wages, pension dues etc. owing to them.

Vacancies may be filled only by a proper order of the lawful management and administration of the C. E. R. and all former Russian citizens non-citizens of the U. S. S. R. employed by C. E. R. during conflict must be summarily and immediately discharged.

4.—Chinese authorities immediately to disarm the Russian White Guards detachments and deport from the Three Eastern Provinces their organizers and inspirers.

5—Leaving open the question of resumption of full diplomatic and consular relations between U. S. S. R. and China until the Soviet-Chinese Conference, both parties consider possible and necessary the immediate restoration of Soviet Consulates in the territory of the Three Eastern Provinces and Chinese Consulates at respective points of the Soviet Far East. In view of the fact that the Union Government declared on May 21, 1929, that "since the Chinese Authorities have proved by all their actions their clear unwillingness and inability to reckon with the generally accepted principles of International Law and customs, it on its part does not henceforth

regard itself bound by these principles in relation to Chinese representation in Moscow and Chinese Consulates in Soviet Territory and that this representation and these Consulates will no longer enjoy the extraterritoriality to which International Law entitles them," and that both parties intend to restore consular relations between them on a basis conforming with the principles of International Law and customs, the Mukden Government declares that it undertakes to assure the Soviet Consulates on the territory of the Three Eastern Provinces full inviolability and all privileges to which international law and custom entitle them and will of course refrain from any action violating this inviolability and these privileges. On its part the Government of the U. S. S. R. discontinues the special regime established by it between May 21, 1929 and the rupture of relations for Chinese Consulates and grants these Consulates, which are to be restored by virtue of the first clause of this point, on the territory of the Soviet Far East, all privileges and the full inviolability to which International Law and custom entitle them.

6.—With restoration of Consulates, opportunity immediately is given for the resumption of normal activity of all Soviet business organizations existing before the conflict within the Three Eastern Provinces.

Similar opportunity is offered to restore Chinese commercial enterprises which existed within the U. S. S. R. and whose operations were discontinued in connection with the C. E. R. conflict.

The question of commercial relations between the two countries as a whole to be settled at the Soviet-Chinese Conference.

7.—The question of real guarantees of observance of agreements and the interests of both sides are to be solved at the forthcoming conference.

8.—The Soviet Chinese Conference to regulate all outstanding questions to be held at Moscow on January 25, 1930.

9.—The peaceful situation on the frontiers of China and the U. S. S. R. to be restored immediately with the subsequent withdrawal of troops by both sides.

10.—This protocol comes into force from moment of its signature.

December 22, 1929.

No. 28

(Tariff) Agreement Concluded between the Empire of Japan and the Republic of China

The Government of Japan and the National Government of the Republic of China have, through their respective representatives, agreed upon and concluded the following Articles:—

ARTICLE I

The Japanese and the Chinese Governments agree that all matters relating to rates of duty on the import and export of articles, drawbacks, transit dues and tonnage dues in the territories of Japan and the territories of China shall be regulated exclusively by the laws of Japan and of China respectively.

ARTICLE II

The Governments of Japan and of China shall reciprocally grant to each other and to the nationals of the other country, in customs duties, drawbacks and transit dues and all other similar internal charges, applied to the import and export of articles, and in tonnage dues, as well as in all matters connected therewith, treatment not less favourable than that accorded or to be accorded to its own nationals or to the Government and nationals of any other foreign country.

Articles produced or manufactured in the territories of Japan or of China and imported into the territories of the other, from whatever place arriving, shall receive, in import duties, drawbacks and transit dues and all other similar internal charges, and in all matters connected therewith, treatment not less favourable than that accorded or to be accorded to the like articles produced or manufactured in the same territories and exported to any other foreign country.

In regard to tonnage dues and all matters connected therewith vessels of Japan and of China shall each receive in the territories of the other treatment not less favourable than that accorded or to be accorded to the vessels of any other foreign country.

ARTICLE III

The stipulations contained in the foregoing Articles as well as in the exchanged Notes annexed to the present Agreement shall be incorporated in, and form part of, a Treaty of Commerce and Navigation to be negotiated and concluded as soon as possible between Empire of Japan and the Republic of China.

ARTICLE IV

The Japanese, Chinese and English texts of this Agreement have been carefully compared and verified; but in the event of there being any difference of meaning between them, the sense as expressed in the English text shall be held to prevail.

ARTICLE V

The present Agreement shall enter into force on the tenth day following the date of the signature thereof.

Done in duplicate at the city of Nanking, this 6th day of the 5th month of the 5th year of Showa, corresponding to the 6th day of the 5th month of the nineteenth year of the Republic of China.

(Signed) M. Shigemitsu,
Japanese Chargé d'Affaires in China.

(Signed) Chengting T. Wang,
Minister for Foreign Affairs of the
National Government of the
Republic of China.

ANNEX I

Nanking, May 6th, 5 Showa (1930).

Monsieur le Ministre,

With reference to the Agreement which we signed to-day I have the honour to state that it is the understanding of the Japanese Government:

1. That, beginning from the date of the coming into force of the above-mentioned Agreement, the Chinese Government will maintain: for a period of three years the rates of duty leviable under Items 1, 2 and 3 in Part I of the Schedule attached hereto, and will also maintain for a period of one year the rates of duty leviable under Item 4 in Part I of the said Schedule, as the maximum rates of Import Duty leviable during the respective periods on articles falling within such Items produced or manufactured in the territories of Japan and imported into the territories of China, subject, however, to the reservation made in the said Schedule by the Chinese Government concerning the increase of rates; and

2. That the Japanese Government will maintain for a period of three years from the date of the coming into force of the above-mentioned Agreement, the rates of duty leviable under the three Items in Part II of the Schedule attached hereto, as the maximum rates of Import Duty leviable during the said period on articles falling within such Items produced or manufactured in the territories of China and imported into the territories of Japan.

I shall be much obliged if Your Excellency will be good enough to confirm the foregoing understanding.

I avail myself of this opportunity to renew to Your Excellency the assurances of my highest consideration.

(Signed) M. Shigemitsu.

His Excellency
Dr. Chengting T. Wang,
Minister for Foreign Affairs of
the National Government of the Republic of China.

SCHEDULE

PART I

No. of Items	Description of Articles	Nos. in Chinese Customs Import Tariff of 1929
1	Cotton Goods	1 to 10, 12 to 14, 22 to 24, 26 to 32, 37, 38, 40, 43, 46, 47, 51, 53, 58, 59.
2	Fishery and Sea Products	196 to 199, 202, 205, 206, 213, 216, 217, 218, 231.
3	Wheat Flour	280.
4	Miscellaneous Goods.....	302, 567, 568, 603 to 605 (a), 612, 647, 652 (b), 666 (b), 677 (c), 685, 706, 709 (f), 709 (g), 710, 715.

The numbers which appear in Part I of this Schedule indicate the same articles as are mentioned under the corresponding numbers in the Chinese Customs Import Tariff of 1929, with the exception of the following numbers which cover only such articles as are enumerated thereunder:

652 (b). Rubber Shoes and Boots, as also Foot-gear made wholly or partly of Rubber.

666 (b). Clocks and Movements assembled as a Unit, Value not over Hk. Tls. 40 per doz.

677 (c). Hats and Caps, of Felt made with other materials than Beaver or Hair, Value not over Hk. Tls. 15 per doz.

706. Thermostatic Containers and Parts thereof, Value not over Hk. Tls. 15 per doz.

709 (f). Electrical Machinery and Parts thereof.

710. Toys and Games.

715. Vehicles: Velocipedes (e. g., Bicycles, etc.), not otherwise enumerated, Value not over Hk. Tls. 40 per piece.

The rates of duty on articles mentioned in Part I of this Schedule shall remain the same as those stated under the corresponding numbers in the aforesaid Tariff, it being understood that, as regards the rates of duty on articles covered by the numbers not underlined, the Chinese Government reserves the right to increase the rates specified above by not more than two and a half per cent. ad valorem. In the case of specific rates of duty, the increase above provided for will be based either uniformly upon the original duty paying value by which the rates in the aforesaid Tariff were determined or uniformly upon the duty paying value which was adopted by the Tariff Valuation Commission in 1928.

The Chinese Government reserves the right to levy an excise on imported Cotton Yarn (No. 51) in addition to the Customs Import Duty.

PART II

No. of Items	Description of Articles	Nos. in existing Japanese Import Tariff
1	Grass Cloth	299.5, (over 48 centimetres in width excepted) C–1, a–1 to a–4, C–2, a–1 to a–4.
2	Silk Piece Goods.....	303. 3, A, a, b.
3	Embroidered Tissues	308 (Hand-work only).

Unless otherwise specified, the numbers which appear in Part II of this Schedule indicate the same articles as are mentioned under the corresponding numbers in the Japanese Import Tariff at present in force.

The rates of duty on articles mentioned in Item 1 in Part II of this Schedule shall remain the same as those stated under the corresponding numbers in the Japanese Import Tariff at present in force, and the rates of duty on articles mentioned in Item 2 and 3 in Part II of this Schedule shall be thirty per cent. less than those now levied under the Law relating to Import Duties on Luxuries and Similar Articles.

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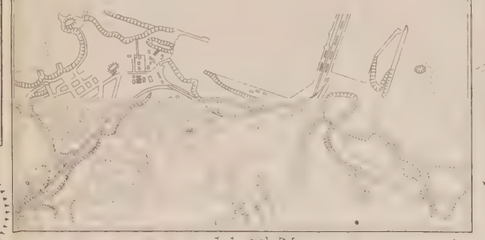

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